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A Decade of Housing Services: 1970-1980

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Greater Boston Community Development, Inc.
A Decade of Housing Services: 1970-1980

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Letter of Transmittal

We are pleased to present this report on GBCD's past ten years of service to community organizations throughout the greater Boston area. The report summarizes the many housing development, management and improvement programs which we have undertaken to help provide affordable housing for people with limited incomes.

The past decade has been one of significant accomplishments. Since 1970, GBCD has been development consultant for nonprofit sponsors of 1,643 completed apartments and townhouses, with total mortgage and equity financing of \$54,006,980. It is now working on an additional 212 units that are being completed and occupied in 1980, with mortgage financing commitments of \$8,827,000; plus 157 units that are under construction with mortgage commitments of \$8,098,950; and 431 more units that have received firm funding commitments of \$21,750,000. Numerous other projects are in earlier stages of planning and design. All this housing is controlled by community-based organizations and has public subsidies to insure that rents are kept within the means of lower income residents. During the 1970's, GBCD also undertook several projects to improve distressed subsidized and public housing. These efforts have led to new HUD demonstration programs which involve the residents of multi-family housing in upgrading their living conditions and to innovative revitalization designs and financing for public housing. In addition, the corporation's management capacity has expanded considerably: while it was operating 93 apartments ten years ago, it will be operating more than 700 units by the end of 1981.

This report tries to explain how GBCD has compiled this record during a period when many housing sponsors have been unsuccessful. The explanation encompasses the activities of many people and organizations. Two of the primary reasons for GBCD's success are its staff and the community organizations it has assisted. GBCD has been fortunate to attract talented and dedicated staff members: they are its most important resource. They have been able both to develop a high level of technical capability in housing development and to establish excellent working relationships with well qualified community groups that are dedicated to meeting their neighborhoods' housing needs. These organizations have had the stamina and leadership

to work throughout the lengthy process often required to develop assisted housing. Additional support for these efforts has come from GBCD's active and diverse Board of Directors. A number of national and Boston-based charitable foundations have given critical financial assistance to GBCD. Their funding covered the corporation's start-up costs and has allowed us to carry out a number of innovative special projects that were designed to remedy specific housing problems but that could not be immediately self-sustaining.

GBCD's work over the past decade is also in large part a tribute to the vision and effort of its first Executive Director, Robert B. Whitteley. Bob's stewardship of the corporation, from its inception in the South End in 1964 to his appointment as Master in the case of *Perez V. Boston Housing Authority* in 1975, formed and established the corporation as the major technical assistance agency for community based housing sponsors in metropolitan Boston and provided the basis for its continuing achievements.

The corporation is currently expanding its development and management staff in order to respond to growing requests for its services. This will allow us to continue pursuing diverse financial, organizational and management strategies that can enable community sponsors to develop and control assisted housing. As a nonprofit organization with a wide range of housing-related expertise, GBCD is a unique and vital resource in the Boston metropolitan area. Its record during the past ten years demonstrates that community sponsors with sound technical support and strong local ties can, through the creative use of public programs, successfully develop and operate decent, affordable housing for people with limited incomes—often in ways that private developers do not. We look forward to continuing this work and to providing housing resources for many years to come. We will be pleased to answer inquiries about our work. For those who are interested, copies of GBCD's audited financial statements are available.



Oliver F. Ames
President

June 1, 1980

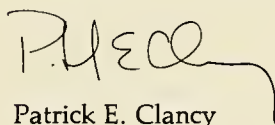
Statement by the Executive Director

As this report describes, the past ten years have been rewarding and productive ones for GBCD as a corporation. They have been just as rewarding for me and other staff—providing the opportunity to develop further a range of technical skills in housing, to put those technical skills to work for community and public organizations committed to providing decent housing for lower income people and to see the tangible results in the creation of new housing resources that serve those in need.

As we approach occupancy of the 2,000th unit of housing to be provided through GBCD's development work, we on the staff feel the very real satisfaction of providing a unique resource that can empower community organizations to control and direct the housing development process to create housing for those they are serving. That satisfaction comes from maintaining our own delicate balance in our work—the balance between the effort to understand and be sensitive to the detailed needs and objectives of the people and the organizations we are serving and the effort to work effectively within the financial and technical requirements and limitations of housing programs and with the agencies that administer them.

And yet as we pause to describe the past decade's work, we face the future with serious concerns. The lack of political will to pay the substantial cost of assuring all Americans a decent home; the obstruction to the provision of decent housing for lower income families, even with substantial federal assistance, raised by many suburban areas and, increasingly, by larger cities as well; the spiraling costs of construction and financing in a time of scarcer national resources—these factors present serious challenges for the continued work of the corporation and will shape our work in the decade ahead.

With the record of accomplishment described herein to build upon, we remain committed to meeting the challenges of the next decade and to serving communities committed to meeting housing needs.



Patrick E. Clancy



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Greater Boston Community Development, Inc. is a charitable, nonprofit corporation that provides technical assistance to community-based sponsors of housing for low and moderate income residents of the Boston metropolitan area. GBCD's primary goal is to enable community organizations to control the development and management of housing which will best serve the needs of lower income families, elderly and handicapped people.

GBCD was originally formed as South End Community Development in 1964, when it undertook a demonstration program to test the feasibility of a proposed urban renewal plan that sought to renovate some of the housing in the South End. SECD began rehabilitating South End rowhouses, using federal subsidies to reduce costs, in order to determine whether decent housing could be produced within the financial means of low income families. When this program successfully demonstrated the financial feasibility of this approach to housing revitalization, SECD was reorganized in 1970 as GBCD to assist local sponsors of housing throughout the greater Boston area.

Since 1970, GBCD has been development consultant to a wide range of nonprofit organizations and agencies which have built many kinds of housing. Tenants Development Corporation, for example, has renovated 19th century brick rowhouses for low income families in Boston's South End, while Lincoln Homes Corporation has built a co-operative for families of all incomes on a wooded site next to a large tract of conservation land in Lincoln. St. Stephen's Housing Corporation in Lynn developed a high-rise tower for the elderly, while Gloucester Development Team, Inc. on Cape Ann and the Town of Weston have converted old school buildings into elderly housing. In conjunction with several clients—Inquilinos Boricuas en Accion, Roxbury Tenants of Harvard Association, Inc., and Lower Roxbury Development Corporation—GBCD has contributed to the phased redevelopment of large-scale communities with a mixture of housing types. For example, IBA has rebuilt a once deteriorating area of the South End into a neighborhood that is attractive, affordable and managed by the people who live there. King's Lynne Residents Council has replaced blighted public housing with a new mixed income development, while the

resident Task Force in Boston's largest public housing development, Columbia Point, is participating in a complex planning process for the revitalization of the entire Columbia Point peninsula. The latter two tenant organizations have received assistance from GBCD in structuring innovative ways of financing publicly assisted housing in partnership with public officials and private developers.

As a nonprofit agency, and in contrast to most private development firms, GBCD's immediate priority is to help neighborhood groups satisfy their communities' housing needs and related community development goals. The Columbia Point Community Task Force, Inc., for instance, wants not only to upgrade living conditions for public housing residents but also to redevelop defunct commercial facilities and restore recreational resources along the shoreline of the Columbia Point peninsula. Several organizations—such as Riverside/Cambridgeport Community Corporation, Roxbury Tenants of Harvard, and Back of the Hill Community Development Association, Inc.—have obtained land for housing from large educational and medical institutions, so that these institutions' resources can benefit rather than overwhelm the adjacent neighborhoods. IBA has redirected an urban renewal plan to serve, not displace, low income families. The sponsors of Lincoln Woods wanted to enable people of limited financial means to live or remain in their affluent suburban community.

In response to the varied objectives of its clients, GBCD has developed the broad range of expertise needed to create housing that is well designed, well run and in sound financial condition. Its success in meeting this goal is evident from the fact that none of the projects which it has assisted have been foreclosed and none is in default of its mortgage. GBCD's services fall into four main areas: housing development, housing management, conversion of housing ownership and financing, and revitalization of publicly assisted housing.



These three former school buildings, clustered together in the town of Weston, have been converted into 52 apartments for the elderly and handicapped, Brook School Apartments.

Housing Development

Development is an intricate process that involves financing, design, legal approvals, ownership arrangements, construction, and management services. GBCD can organize and coordinate each stage of this process from initial site selection to occupancy on behalf of community sponsors. It structures the economic, legal and organizational requirements of each project in a manner that both satisfies the client's objectives and generates the maximum investment in the housing. In order to create financially feasible projects that meet pressing housing needs, GBCD has when necessary created new ownership patterns and financial mechanisms for assisted housing. Precedent-setting ownership arrangements include a limited equity cooperative and limited dividend partnerships in which community groups play a controlling role as the managing general partner. Innovative financial arrangements include a new state program to retire the debt on existing public housing and establishment of an equity financing pool for a mixed income cooperative. When an opportunity exists for a community sponsor to earn funds for supportive activities while providing affordable housing, GBCD develops the necessary arrangements as a way of establishing community control over resources which are generated locally.

Through its extensive development experience, GBCD has acquired the ability to assess the chances of a potential project reaching completion. This skill is important because it allows GBCD to focus its limited staff resources on proposals that are likely to materialize. Equally important, it enables the corporation to help community groups assess whether they want to devote their energies to backing a specific housing program. This is not to say that GBCD accepts only simple projects: some of its clients have needed many years to bring plans for community-controlled housing to fruition. But given the high staff, financial and opportunity costs associated with the development process, both community organizations and GBCD benefit from the corporation's risk assessments of proposed projects.

Housing Management

GBCD provides a range of management services to community-based owners who are dedicated to meeting tenants' needs. At the request of a qualified owner, GBCD will act as managing agent with full responsibility for delivering maintenance services, supervising on-site staff, assisting residents' groups, and budgeting housing operations to insure sound financial condition. Other management services include establishing marketing and tenant selection programs for new housing developments. A number of community organizations which manage their own housing have sought GBCD's help in improving their operations. Their requests have generated a variety of "owner services" whose aim is to ensure that the greatest positive impact is achieved with each dollar available for management. These services involve, for example, evaluating possible changes in operating budgets and advising clients about taxes and related financial reporting requirements.

Conversion of Housing Ownership and Financing

A third major area of GBCD services is analyzing and, in some cases, altering the ownership form and financing of assisted housing. For instance, GBCD has helped community sponsors convert the ownership of several developments from nonprofit to limited dividend status. The purpose of this conversion was to generate additional funds—at no cost to the residents of the housing—which these sponsors could use to maintain and support their property.

Revitalization of Publicly Assisted Housing

A sizeable stock of multifamily subsidized and public housing already exists in many communities. However, the future of much of this housing is threatened by financial problems and physical deterioration. In recognition of the valuable housing resources provided by existing assisted developments, GBCD has undertaken a series of projects to help revitalize them. One objective is to establish resident controlled management and economic stability in federally subsidized housing which is in default or foreclosed. Another objective is to restore or replace blighted public housing.

Other Services

The corporation also consults with numerous nonprofit organizations and public agencies to help them address the many housing problems facing people with limited incomes: inflating costs and rents, inadequate credit opportunities, shortages of large apartments for families, inadequate access for the handicapped, unsafe living conditions for elderly people, and deterioration of older housing. Examples of these consulting services are representing a senior citizens organization in negotiations with a private developer, and reviewing for HUD the role of nonprofit corporations in the development of subsidized housing.



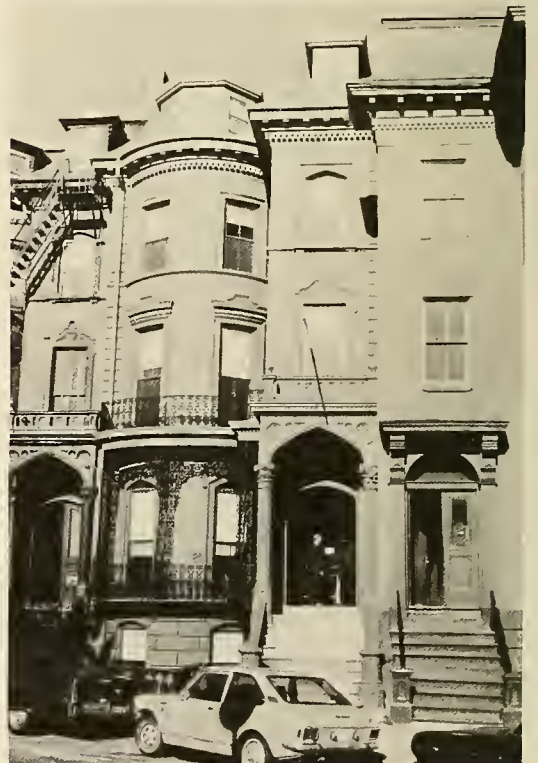
An apartment built into a former school room, Brook School Apartments, Weston.

GBCD's Clients

GBCD's clients are typically community-based nonprofit organizations or public agencies. Community clients included tenant committees, civic associations, church-related groups, neighborhood organizations, and community development corporations. Other nonprofit clients have been the trustees of an elderly care facility, a community-based real estate corporation, and a land trust. Public clients have included housing authorities, municipal planning departments, and HUD.

As indicated in the prior section, the needs of these organizations are varied, and GBCD's services are tailored to meet their requirements. GBCD's role may be limited to a specific task whose scope is defined jointly with the client. For example, the Planning and Development Department of the City of Cambridge, the Chinese Economic Development Council in Boston, and the Trustees of the Elizabeth Carlton House in Roxbury have each requested GBCD to evaluate the development potential of a certain building or site. Other one-time services include changing the ownership structure of an existing housing development and arranging for placement of limited partnership interests to generate substantial capital for existing projects—tasks performed for Lower Roxbury Development Corporation in Boston and Union Development Corporation in Montclair, New Jersey.

Some organizations ask GBCD to provide a full range of services to help them throughout the complex housing development process. GBCD has functioned, in effect, as development staff for such sponsors of housing as Back of the Hill Community Development Association, Inc. in Boston, Lincoln Foundation in the Town of Lincoln, and St. Stephen's Housing Corporation in Lynn. Other community sponsors have hired their own staff, and GBCD has provided technical expertise to facilitate their planning, financing and construction of housing. This kind of complementary relationship has been established with, for example, Inquilinos Boricuas en Accion in the South End and Gloucester Development Team, Inc. on Cape Ann.

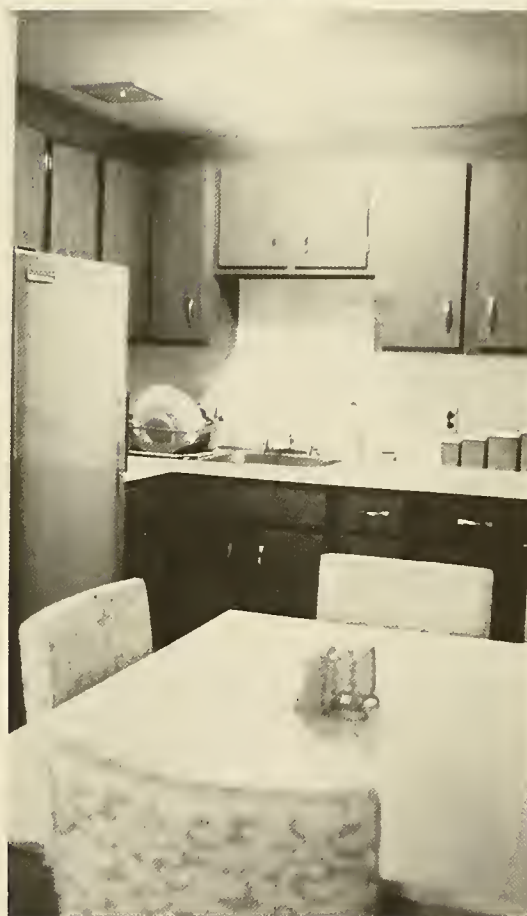


Tenants Development Corporation townhouses in the South End of Boston- before and after rehabilitation.

Community-based and church-related non-profit organizations have been major clients for GBCD's management services. Many groups have asked GBCD to operate their housing after the corporation helped to develop it: St. Mary's Housing Corporation, Gloucester Development Team, Inc. and Back of the Hill Community Development Association, Inc. are examples. Other owners, such as Cooperative Metropolitan Ministries, have hired GBCD as managing agent after their housing has been completed and occupied.



Aware of GBCD's longevity and varied expertise, several clients have turned to it repeatedly for help in different situations. Tenants Development Corporation (TDC), for example, not only used the corporation's services while renovating buildings in Boston's South End; it also hired GBCD to help establish TDC as a nonprofit management corporation. Several years later, when inflating operating costs threatened the financial viability of the developments, the corporation helped TDC to revise its management operations and to obtain a mortgage modification plus additional Section 8 rental assistance from HUD. These changes stabilized the rents and improved TDC's long term financial prospects.



GBCD is proud to have assisted community groups in their efforts to ensure that assisted housing remains decent and affordable for low income families. Although nationwide many nonprofit housing owners have encountered severe financial or organizational problems, GBCD's experience with its clients has been the contrary. In fact, all of the more than one dozen organizations which GBCD has helped to obtain firm funding commitments have either completed the housing or have construction underway now. All of these organizations are in business today. All of their developments are current in their mortgage obligations and offer the highest quality housing resources.

Kitchens of South End row-houses before and after rehabilitation.

Housing Development

Between 1970 and 1980, GBCD provided development services for twelve completed housing projects with 1,643 dwellings. The \$54,000,000 invested in these projects is managed by seven community organizations in Boston, Gloucester, Lincoln, and Lynn, Massachusetts. These groups can anticipate that rental subsidies worth at least twice that amount will be made available for the proj-

ects' residents over the next twenty years. The diversity of this housing reflects GBCD's commitment to serving many community needs. A third of the units are for the elderly, two-thirds for families. A third are in rehabilitated buildings, two-thirds are new construction. One development, King's Lynne, replaced blighted public housing; another, Central Grammar Apartments, con-

Housing Completed With GBCD Assistance 1970-1980

Project	GBCD Client Organization	Number and Type of Dwellings	Date Occupied	Value of Financing	Funding Agency and Program
1. SECD Demonstration	South End Community Development, Inc., (GBCD's predecessor organization), Boston	93 Family/Rehab	1969-70	\$ 1,246,000	For 83 units: HUD §221 (d) (3), §23 leased housing and §101 rent supplement
2. Additional SECD Development					For 10 units: HUD §312, §23 leased housing
3. South End Tenants' Houses I	Tenants' Development Corporation, Boston	100 Family/Rehab	1972	1,643,300	HUD §236, §23 leased housing, rent supplement; §8 rent subsidies; MHFA construction financing
4. ETC Rehab I	Inquilinos Boricuas en Accion (formerly Emergency Tenants Council), Boston	71 Family/Rehab	1972	1,563,400	HUD §236; initially §23 leased housing & rent supplement; now §8 rent subsidies
5. Torre Unidad	Inquilinos Boricuas en Accion, Boston	201 Elderly/ New Construction	1974	4,694,890	HUD turnkey public housing, MHFA construction financing
6. South End Tenants Houses II	Tenants' Development Corporation, Boston	185 Family/Rehab	1975	4,563,859	HUD §236, §23 leased housing, rent supplement, §8 rent subsidies
7. Central Grammar Apartments	Gloucester Development Team, Inc., Gloucester	80 Elderly/Rehab	1975	2,302,000	MHFA §13A; Chapter 707 leased housing
8. St. Stephen's Tower Apartments	St. Stephen's Housing Corporation, Lynn	130 Elderly/New	1976	4,311,613	MHFA §236, rent supplement, MHFA construction financing, §8 rent subsidy
9. Viviendas La Victoria I	Inquilinos Boricuas en Accion, Boston	181 Family/New	1976	6,630,800	HUD §236; initially §23 leased housing and rent supplement; now rental assistance program
10. Lincoln Woods	Lincoln Homes Corporation and Lincoln Foundation, Inc., Lincoln	125 Family/New	1976	3,986,837	MHFA §13A, Chapter 707 leased housing
11. Casas Borinquen	Inquilinos Boricuas en Accion, Boston	36 Family/Rehab	1977	1,290,281	MHFA §8 rent subsidies
12. King's Lynne	King's Lynne Residents Council, Inc., Lynn	441 Family/New	1977-79	21,774,000	MHFA, §13A, Chapter 707 leased housing, Chapter 884
Total		1,643		\$54,006,980	

verted an old school building into housing for the elderly. Eight are in Boston, and four in nearby urban areas and suburban towns.

GBCD is now working on three additional developments that are in the final stages of construction and initial occupancy, two developments that are under construction, and three more that have firm funding commitments. These eight projects have commitments from HUD for \$38,666,000 in mortgage financing, and three of them will also receive substantial equity financing which can be reinvested in the housing or

put into other community services. Four of these developments—Back of the Hill, RTH Restoration Housing, Viviendas La Victoria Phase II and Madison Park Phase IV—are part of complex, large-scale community revitalization projects that encompass several assisted housing projects. The Weston project is GBCD's second successful adaptive reuse of old school buildings as housing for the elderly. In addition to these eight developments which have secured financing, GBCD is working on several additional projects that are in earlier planning and design stages.

Funded Developments Under Way With GBCD Assistance

Project	GBCD Client Organization	Number and Type of Dwellings	Estimated Mortgage Amount	Funding Agency and Program	Status as of June 1, 1980
1. Woodbourne Housing for the Elderly	Woodbourne Association, Boston	75 Elderly/New Construction	\$ 2,875,000	HUD §202/8	Construction and initial occupancy substantially complete
2. Brook School Apartments	Weston Elderly Housing Committee, Weston	52 Elderly/Rehab	2,280,000	HUD §8, Town of Weston, General Obligation Bonds	Construction and initial occupancy substantially complete.
3. Casa Maria	St. Mary's Housing Corporation, Boston	85 Elderly/New Construction	3,662,000	HUD §202/8	Construction under way. Occupancy in the summer of 1980.
4. Back of the Hill Housing	Back of the Hill Community Development Association, Inc., Boston	125 Handicapped and Elderly/New Construction	6,090,500	HUD §202/8	Construction under way.
5. River Howard Townhouses	Riverside/Cambridgeport Community Corporation, Cambridge	32 Family/New Construction	2,008,450	HUD turnkey public housing, MHFA construction financing	Construction under way.
6. RTH Restoration Housing	Roxbury Tenants of Harvard Association, Inc., Boston	85 Family/Rehab	3,550,000	HUD §8, MHFA construction financing and HUD Tandem Plan permanent financing with HUD §221(d) (4) mortgage insurance	Firm financing commitments being arranged. Construction will begin in 1980.
7. Viviendas La Victoria Phase II	Inquilinos Boricuas en Accion, Boston	190 Family/New Construction and Rehab	10,700,000	HUD §8, MHFA construction financing and HUD Tandem Plan permanent financing with HUD §221(d) (4) mortgage insurance	Processing firm commitment application. Completing architectural contract documents. Construction will begin in 1980.
8. Madison Park Phase IV	Lower Roxbury Development Corporation, Boston	156 Family/New Construction	7,500,000	HUD §8, MHFA construction financing and HUD Tandem Plan permanent financing with HUD §221(d) (4) mortgage insurance	Processing conditional commitment application. Beginning production of architectural working drawings.
Total		800	\$38,665,950		

The process of developing real estate is often long and complex. In order to help community organizations successfully weather this process, GBCD offers a wide variety of development services, including:

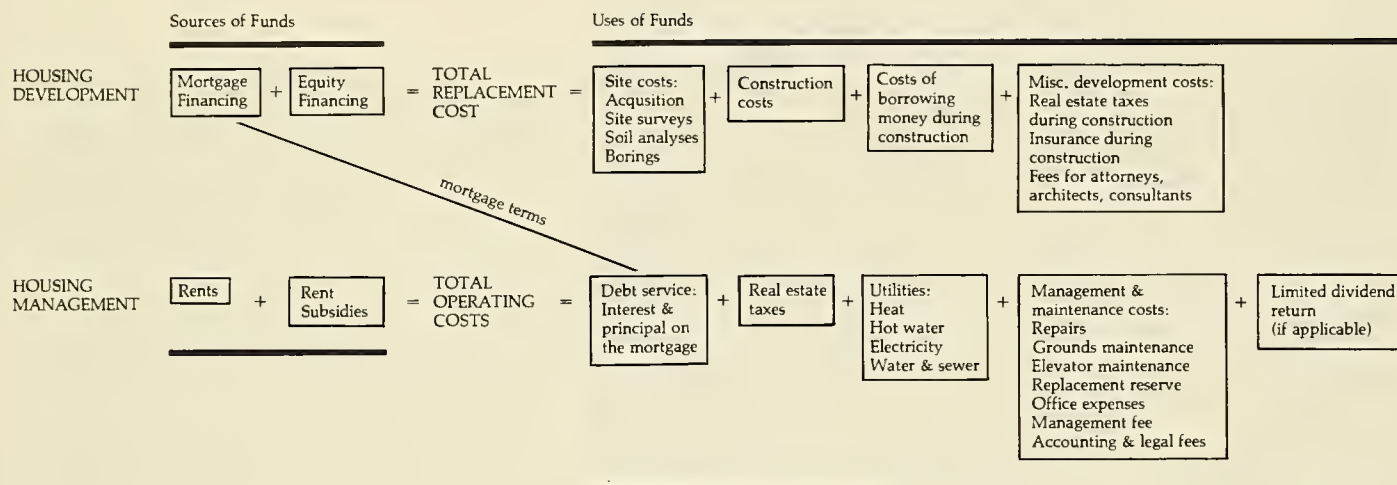
- Assisting community sponsors in defining local housing needs and objectives.
- Identifying potential sources of subsidies, seed money, construction loans, and permanent mortgage and equity financing.
- Identifying suitable sites and negotiating for the acquisition of land and buildings.
- Evaluating the reuse potential of existing buildings. This work has sometimes been done in association with architectural firms which can prepare alternative designs.
- Assembling a development team, including well qualified architects and contractors who can respond effectively to community organizations.
- Working with clients and other members of a development team on the preparation of project designs, the estimation of construction costs, and the correlation of design, costs and financing.
- Preparing applications for mortgage loans, subsidy and mortgage insurance commitments from the U.S. Department of Housing and Urban Development (HUD), the Massachusetts Housing Finance Agency (MHFA), and local housing authorities. GBCD also negotiates loans and commitments with these agencies, on behalf of community organizations.
- Securing municipal zoning approvals, tax agreements, clear title for land, and other legal clearances.
- Structuring the most appropriate ownership entity for a development and the most effective system of financial controls.
- Monitoring construction, documenting costs, expediting the resolution of any disputes, and coordinating the submission of requisitions and any necessary change orders.

The goal of these development services is to help community sponsors identify the housing resources needed locally, and then to determine how they can be made affordable and how they can be locally controlled. The solution must be found in the right combination of funds and the right combination of people.

Financing Development

Every housing project is an equation that carefully balances many cost variables against many possible variables in sources of funds. During the development process, the costs of a site, construction, real estate taxes and insurance during the construction period, fees (for architects, attorneys, and other consultants plus financing and application fees), and the costs of borrowing money must be carefully estimated. The two potential sources of money to cover these costs—mortgage financing and equity financing—must be carefully structured to leverage the maximum return. Long before construction begins, the future costs of operating a project need to be identified in order to determine whether the eventual residents can afford to pay for both operating costs and the mortgage that is required to build the housing. Possible subsidies need to be computed along with development costs and income variables in order to ensure financial feasibility. The diagram on the facing page sketches the relationship between costs and funding in both the development and the management of housing.

GBCD consistently advises potential community sponsors that their goals can be met only if they can be translated into a housing development that is financially feasible: where rental income, including subsidies, is sufficient to pay both operating costs and the financing costs of a mortgage which is large enough to cover all the development costs. A substantial part of GBCD's development work involves juggling these variables to create feasible projects. For example, GBCD is currently helping Inquilinos Boricuas en Accion (IBA) to develop, with Section 8 subsidies, 190 units of housing in Boston's South End. IBA intends to obtain permanent mortgage financing at a 7.5% interest rate through the Government National Mortgage Association (GNMA) Program 25 Tandem Plan. If the project had to get permanent financing from the Massachusetts Housing Finance Agency or had to use the Section 11(b) method of financing for Section 8 housing, it would have to pay a much higher interest rate, since both MHFA and 11(b) depend on tax exempt bonds which may require interest as high as 9%. If the project had to pay the higher interest rate, the limited rental income available for debt service would only support a smaller mort-



gage, which would mean less funds for construction of the project. The difference between a 7.5% permanent mortgage interest rate and an interest rate around 9% translates into an additional \$1.25 million for construction, at the lower rate. Thus, by obtaining GNMA Tandem Plan financing, IBA has an extra \$1.25 million to help build the housing.

GBCD not only analyzes the many development variables on each project, it explains the relationships among them to its clients so that project sponsors can effectively shape them to meet community housing goals. For example, GBCD presents the tradeoffs among various design options, and explains how operating cost savings can be translated into higher mortgages to pay for design improvements. (The descriptions in the following sections of Central Grammar Apartments and housing developed by Inquilinos Boricuas en Accion show how these financial tradeoffs have been made.) As a nonprofit organization, GBCD can help community sponsors determine how the funds available for a project can create the best possible resources for residents, without the constraint of most private developers to generate the maximum financial return. The corporation also assists sponsors in determining the optimal income mix, if any, in a proposed project. In some cases, having an income mix may contribute to financial feasibility; in some cases, sponsors want to offer housing opportunities to a wide range of people. But income mix is not always a goal: if a development serves all low income

people, it can provide quality housing as long as it is well designed and well maintained, and addresses residents' needs.

GBCD also identifies the various government subsidies which can reduce the rents paid by low and moderate income residents. It helps clients obtain subsidies by preparing applications, negotiating their terms with public agencies, and explaining the maze of regulations that govern their use. Sponsors assisted by the corporation have utilized many different federal and state subsidies to create the most advantageous financial package for each project. Early in the 1970's, the family developments assisted by GBCD used several federal programs that reduced the costs of debt service: the Section 221(d) (3) and Section 312 below market interest rate mortgage loan program and the Section 236 interest reduction subsidy program. Under the Section 221(d) (3) and Section 312 programs, the effective interest rate was 3%, while under the Section 236 program, the effective interest rate was 1%. When the Nixon Administration placed a moratorium on these programs in 1973, community housing sponsors turned to the state government. Massachusetts Housing Finance Agency (MHFA) provided various mortgage and rental subsidies to five GBCD-assisted developments. After the federal moratorium was lifted, GBCD obtained subsidy commitments for seven projects under the two newest HUD subsidy programs: Section 8 and Section 202. Section 8 provides a rental subsidy which makes up the difference between the rent required to make a project



St. Stephen's Tower Apartments for the elderly in Lynn. Photo by Phokion Karas.



Fourth of July picnic on the grass - St. Stephen's Tower Apartments.

economically feasible and the rent a tenant can afford to pay, assuming that 25% of a tenant's income will be allocated to housing costs. Section 202 is a direct mortgage financing program for nonprofit sponsors of housing for the elderly and handicapped, provided in conjunction with Section 8 rental assistance.

When standard federal and state housing programs have not matched the housing needs identified by a community sponsor, GBCD, in conjunction with sponsors and other members of development teams, has been able to create new financing mechanisms that helped turn the sponsor's goals into reality. When the residents of a blighted public housing development in Lynn, Massachusetts wanted to replace it with new housing, GBCD helped develop the concept of a new state funding program, institutionalized in Chapter 884 of the Acts and Resolves of 1973 of Massachusetts, that supplied funding to retire the existing debt on the deteriorated public housing, to relocate tenants temporarily, and to demolish the old buildings so that a new mixed income community could be built. When the Town of Weston decided to renovate a cluster of three old schools into housing for the elderly, the Town successfully sponsored state enabling legislation that authorized the Town to finance the construction of such housing through the issuance of general obligation bonds. GBCD assisted the Town in the successful implementation of the enabling legislation. Rents for 80% of the units in this 52 unit Weston development will be reduced by Section 8 rental subsidies, while the remaining apartments will have market rate rents. In August 1972, GBCD's client IBA obtained the first 100% turnkey construction loan made by Massachusetts Housing Finance Agency on behalf of a nonprofit sponsor. A final illustration of GBCD's ability to create new financing mechanisms is drawn from the Lincoln Woods mixed income cooperative project. Here GBCD organized an equity financing pool to insure that families with limited incomes will be able to join the cooperative in the future as its value grows.

Ownership arrangements can also bring money into a project. GBCD has created ownership structures that enable community sponsors to control housing, while generating substantial equity funds. This is done

by organizing limited partnerships between community groups and high tax bracket investors that enable the investors to take advantage of tax shelter benefits associated with subsidized housing development. GBCD has structured partnerships of this kind which have provided approximately \$7,000,000 in equity financing for local organizations. (The later section of this report on "Alternative Ownership Arrangements" describes limited partnerships in greater detail.)

The Many Actors Behind a Successful Housing Development

Each housing project that is built depends on the support of many people. The initiators and sponsors of the projects which GBCD assists are community organizations. They decide the type of housing needed by their community. Throughout the development process, they articulate their neighborhoods' housing objectives which are then reflected in the design, financial arrangements, ownership pattern, tenant selection, and management services of each particular project. Sponsors typically organize a program of resident participation in planning, while GBCD provides the information necessary for them to have a controlling voice on development issues.

Two other groups of people have been critical to GBCD's projects: public officials and private businesses. Public support from municipal officers, legislators, and officials in HUD and MHFA has been a key ingredient on many occasions. All housing developments need a series of municipal approvals: building permits, occupancy permits, water and sewer connections. Many developments also depend on more complicated municipal sign-offs such as zoning variances, acquisition of public land, designation as developer of an urban renewal site, or Chapter 121A real estate tax agreements.

Support from state officials was essential for the King's Lynne project which replaced deteriorated public housing. It needed special state legislation that was vigorously supported by the Lynn State Representative who is now Speaker of the Massachusetts House. On a number of projects the Directors and staff of MHFA have shown great flexibility in assisting GBCD efforts to struc-



Casa Maria Apartments for the elderly and handicapped in Boston's North End.



Casa Maria Apartments: Finishing work in the building's interior, 1980.

ture financial arrangements that institutionalize the goals of community sponsors. For instance, they supported the creation of a cooperative in Lincoln—MHFA's first—and agreed to participate in the phased redevelopment of America Park as King's Lynne. Within a more highly regulated development process, HUD has shown a sensitivity to the needs identified by community sponsors and tried to facilitate appropriate solutions given regulatory constraints. HUD has approved, for example, a waiver allowing the construction of three-bedroom apartments for handicapped residents in the Back of the Hill project even though only one- or two-bedroom units can normally be built under the Section 202 program through which this project is financed.

Private businesses and private investors are other key actors in the development process. Several construction firms, for instance, have played the dual role of general contractor and general partner in order to lend their net worth to the financial feasibility of community-sponsored housing. In the case of Central Grammar Apartments, a former school converted into housing for the elderly, establishing a working relationship between a contractor and the community sponsor was a complicated process. While the project was being designed, the sponsor, Gloucester Development Team, Inc. (GDT), worked out a tentative agreement with a private firm which was to have been the general contractor and general partner. However, after preliminary designs were completed, this firm pulled out because it unexpectedly decided to discontinue its construction operations. Without the substantial financial backing of a large firm, the project was jeopardized. It was essential to restore financial credibility to the development team. Within one month, GBCD was able to identify another general contractor with extensive experience who was willing to become GDT's partner through a flexible ownership position. The construction company, through its owner, Stanley H. Sydney, served as general partner during construction and the initial operating period. Mr. Sydney's role was then modified to become a limited partner, allowing GDT to have complete control over management decisions as the sole ongoing general partner.

At King's Lynne, a private development firm—Corcoran, Mullins, Jennison, Inc. (CMJ)—is co-general partner with the local residents council, and has participated in the revitalization and management of King's Lynne since its selection as project co-developer in 1974. CMJ and the Residents Council now share responsibility for operating the housing.

While investors play a less active role than general partners such as CMJ, they are also essential on many projects. They have supplied equity financing which has enabled a number of community groups to upgrade the quality of their housing and create related management and social services.

As development consultant, GBCD coordinates the diverse interests of many people who must play a role in the development process. Because it is a nonprofit organization, it can wait out delays over which sponsors have little control, such as the filing of adverse litigation which has troubled several projects in the South End, or the HUD moratorium on subsidized housing which between 1973 and 1976 delayed a number of developments. GBCD's staying power has been of value to sponsors of complex projects that required repeated financial, design or organizational adjustments. The packaging of thirty-five scattered row-houses for the Tenants Development Corporation, for instance, consumed much time because HUD was not accustomed to handling projects that spread out over many sites. The construction of new townhouses by the Riverside/Cambridgeport Community Corporation has recently begun after numerous attempts to identify a subsidy program that met both the sponsor's desire to produce low rent housing and the high construction costs found in the Northeast.

The development of assisted housing is, thus, a lengthy and complex process. To succeed, it must mesh the interests of many people and balance complex financial equations. The following pages describe several projects in detail in order to show how this occurs.

Inquilinos Boricuas en Accion/ Emergency Tenants Council

Villa Victoria Boston's South End

Inquilinos Boricuas en Accion (formerly the Emergency Tenants Council) is a non-profit, principally Hispanic community development corporation. It is devoted to the physical, economic and social revitalization of the area in Boston's South End once known as Parcel 19 and now called Villa Victoria. IBA arose in response to a housing crisis facing low income families in the South End. Because of widespread physical decay in this area, the Boston Redevelopment Authority in 1965 designated the South End as an urban renewal area. The BRA called for extensive demolition in Parcel 19 to create space for new commercial and recreational facilities, plus limited amounts of housing. The existing community, however poor, would have been destroyed by the BRA's plan. In 1967, local residents formed the Emergency Tenants Council of Parcel 19, Inc. (now IBA) to secure decent housing affordable by families already living in the area and to ensure community participation in planning a revitalization program.

Thirteen years later, Villa Victoria stands as the embodiment of these goals. 625 units of low and moderate income housing have been built or renovated, all managed by IBA's affiliate, ETC Developers, Inc. 489 of these units have been developed by IBA, which is now planning an additional 190 units. A new Spanish style plaza surrounded by trees, an arcade and housing is the focus of the neighborhood. Commercial and community facilities, a human services program, and a cultural education program are run locally. GBCD has worked with IBA throughout the past decade to make this revitalized community a reality. It has served as development consultant on all the housing developed by IBA, and is continuing these services while additional housing is built.

A Diverse Community

IBA, along with its consultants, has planned Villa Victoria as a diverse community with many sizes and styles of housing to meet the varying needs of local residents. When planning began in the late 1960s, Parcel 19 had about 2,000 people, mainly Hispanic but with some black families and a significant number of white elderly people; regardless of race, almost all had limited incomes. IBA has developed subsidized housing in order to make sure all the people could afford to remain. It has also insisted that the housing be of good quality, with distinctive exterior and interior details. Therefore, Villa Victoria contains a mixture of rehabilitation and new construction. Once dilapidated rowhouses have been renovated up to contemporary standards. New buildings match architecture to lifestyles: a high-rise tower for the elderly can assure their security and provide concentrated social services; mid-rise buildings house small families; and townhouses for large families with children offer front stoops for socializing and fenced backyards for family life. Large units with four to six bedrooms have been included to meet the specific needs of extended families.

The development of this housing has occurred in five phases which has allowed for on-site relocation when necessary:

1. Rehab I of Villa Victoria: 71 apartments in 14 rowhouses were renovated for families.
2. Torre Unidad: 201 apartments for the elderly were built in a new 19 story tower.
3. Viviendas La Victoria-Phase I: 73 apartments were built plus 108 new townhouses, including 24 three-bedroom, 26 four-bedroom and 4 six-bedroom houses.
4. Casas Borinquen: 36 apartments in 9 rowhouses were renovated for families.
5. Viviendas La Victoria-Phase II (planning now under way): 31 apartments in 8 rowhouses will be renovated and 159 new townhouses will be built.

Community Control of Public Programs

IBA has been able to successfully redevelop its community by taking advantage of many different public programs. The first such program was, paradoxically, urban renewal which in the 1960's threatened the future of Villa Victoria. When the neighborhood was made an urban renewal area, IBA realized that this designation carried many public benefits. The federal urban renewal program is a source of funds to pay for relocation and write-down property acquisition costs. The program facilitates land assembly by authorizing public takings through eminent domain. IBA therefore decided to organize itself to harness these benefits for the people already living in the neighborhood. In December 1969, the BRA tentatively designated IBA as developer of the area and agreed to support its plan for community controlled housing. Since then, IBA has repeatedly used urban renewal funds and authority to help assemble the large sites which it has rebuilt, and to pay relocation and site improvement costs.

A different combination of federal and state subsidy programs has been used in each phase of IBA's housing. The HUD Section 236 mortgage interest reduction program, Section 8 rental assistance from HUD and through MHFA, turnkey public housing, federal leased housing, and rent supplements have all been used. Construction loans and permanent mortgages have been drawn from both private banks and MHFA. HUD mortgage insurance, under the Section 236 and Section 221 (d) (4) programs, has been obtained for several phases of IBA's housing, and Tandem Plan financing is anticipated for the fifth phase. By attracting these various forms of assistance, IBA is able to offer rents in its developments which, in most cases, are limited to no more than one-quarter of a resident's income.

As development consultant for IBA, GBCD has identified the most appropriate subsidy program for each phase of the housing, has prepared applications to the appropriate public agencies, and helped negotiate subsidy commitments.



It has worked with IBA to structure each project in a way that can leverage the maximum funding.

Significant financial benefits have been created out of the ownership structure of IBA's housing. GBCD has helped IBA establish limited dividend partnerships for all its developments (except Torre Unidad) in order to return to the community the profits which a private developer usually earns.* The partnerships have been carefully organized so that IBA as managing general partner can act on behalf of the partnerships, deciding how the housing will be run and what investments will be made in its upkeep. The financial returns from these limited partnerships have been invested in special design features that serve the community and in neighborhood service programs. For example, on IBA's first renovation project, syndication proceeds purchased amenities for the apartments: parquet wood flooring, oak spiral staircases and landscaped yards.

IBA's ability to control housing development and management for the benefit of the community is clearly illustrated by its work on Torre Unidad. Although IBA represents a predominantly Hispanic constituency, it recognized that many elderly white people who had long lived in the South End were likely to be displaced by rising rents. Therefore, IBA's second project was a 19-story tower for the elderly, Torre Unidad, which was built through the Turnkey Public Housing program, whereby housing is developed by a private corporation entitled to a reasonable profit but is owned by the local housing authority. When Torre Unidad was planned, IBA intended to act as co-sponsor with Inland Steel Development Corporation through a joint venture. However, after a price was established for the construction, Inland Steel pulled out because of changes in corporate policy. IBA decided to continue as sole developer for the project



*Above:
Housing developed by IBA:
Townhouses and midrise
building with plaza Betances
in foreground. Photo by
Steve Rosenthal.*

*Below:
Townhouses with private
yards and shared children's
playground. Photo by Steve
Rosenthal.*

*Please refer to the section "Alternative Ownership Arrangements" for more information on the organization of limited dividend partnerships.

and only select a new contractor, rather than pull in another as business co-sponsor, in order to demonstrate that a responsible community organization can make public housing as attractive as apartments on the private market. IBA voted to re-invest its surplus development fees in part for the benefit of the tower's residents and in part for the benefit of the entire community. The first commitment of profits resulted in a roof garden, high quality interior finishes, and wall-to-wall carpeting for Torre Unidad. The second commitment made possible Plaza Betances, a large plaza with many benches, game tables, extensive plantings, and an inlaid, patterned surface. Alongside Torre Unidad, the plaza was designed as a focal point for Villa Victoria by John Sharratt Associates, Inc., the architectural firm for all of IBA's housing and designer of the original plan.

Viviendas La Victoria - Phase II

GBCD is currently working with IBA on a fifth housing development, Viviendas La Victoria - Phase II, which will combine the renovation of eight existing rowhouses into 31 apartments with the construction of 159 new townhouses and approximately 8,000 square feet of community service space. This housing will complete revitalization of the old Parcel 19 area. However, during 1978, construction of Viviendas Phase II was challenged in court on the grounds that a full environmental impact statement had not been prepared and was required. While this legal dispute was being resolved, IBA, GBOD and other members of the development team proceeded with design and financing arrangements so that construction might begin soon after legal clearance was obtained. In April 1980, the Federal District Court handed down a decision enabling the development to go forward, and construction should begin later in 1980. The opposition to Viviendas II was raised by an organization representative of the gentrification process which has created tension in the South End. Its members, many of them new residents, are opposed to the construction of more

subsidized housing in the area. But the lower income households who lived in the South End ten and fifteen years before it became fashionable can no longer afford local market rents because buildings are being bought at high prices and renovated by newcomers. Viviendas Phase II is a vital part of IBA's effort to address the economic and housing needs of these lower income families.

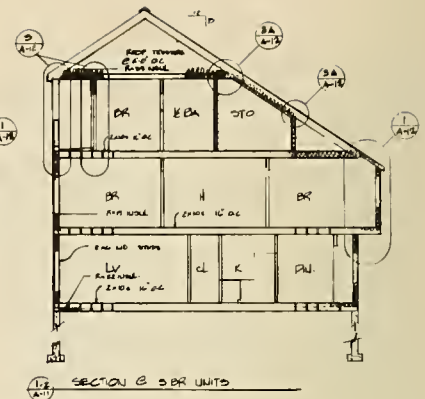
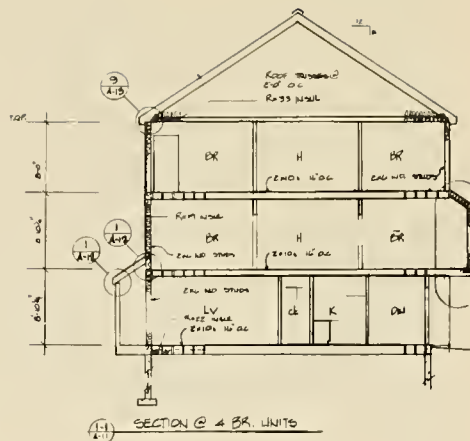


IBA's Torre Unidad - housing for the elderly and handicapped. Photo by Steve Rosenthal.

Riverside/Cambridgeport Community Corporation

River-Howard Housing Cambridge, Massachusetts

Cambridge is often viewed by outsiders as a well-off academic community. In fact, it has a large number of low and moderate income families who have lived there for many years, often for several generations. These families face growing difficulty finding affordable housing. Not only must they compete with wealthier professionals and groups of college students who can outbid them, they must also compete against one another for a stock of rental housing that is declining due to condominium conversions and university expansion. These pressures are strongly felt in Riverside and Cambridgeport, adjacent neighborhoods which lie between the two largest academic institutions in Cambridge, Harvard and MIT.



Riverside/Cambridgeport is one of the most economically mixed areas in Cambridge. Blacks comprise about 13% of the residents, along with a mix of Greeks, French Canadians, Italians, and Irish Catholics. A growing number of professionals are also moving into the community. In recent years, however, Riverside/Cambridgeport's integrated character has been threatened by the growth of MIT and Harvard and by speculative pressures on the real estate market.

Riverside/Cambridgeport Community Corporation (RCCC) was founded in 1971 to respond to the pressing problems of substandard housing, absentee ownership of buildings, and university expansion. RCCC is an umbrella organization of twenty-one neighborhood groups. It has developed several programs of new and rehabilitated housing to stabilize the community and create a variety of rental and ownership options for local people. The River-Howard housing development has brought together the community, public agencies, and Harvard University in a concerted effort to produce housing for lower income families. The genesis of this project goes back ten years, when there was much student unrest at Harvard University and pressure for Harvard to be more sensitive to its impact on nearby neighborhoods. Harvard purchased a parcel of land at the corner of River and Howard Streets in Cambridge and said that the land should be used for housing for low-income families in order to replace units which were taken away from family use by Harvard students. RCCC immediately became involved in planning how that housing could be created, and asked GBCD to assist it.

RCCC's goal of community-controlled housing for large families with low incomes had to go through several rounds of financial feasibility planning before it became a reality. GBCD initially helped RCCC plan a HUD Section 236 development; but as that financing scheme evolved, it became apparent that most rents would be too high to serve low income neighborhood residents. Moreover, only a limited number of units would



Groundbreaking for the new River-Howard Housing on April 27, 1980, with members of the Riverside/Cambridgeport Community Corporation, the architect, contractor, and public officials who are assisting the project.

*Left:
River-Howard Housing: Sec-
tions of 3 and 4 bedroom
townhouses under construc-
tion in 1980.*

have been provided for large families; the majority of units would have been for elderly persons. This approach was therefore dropped, and financing was sought from MHFA. In 1975, MHFA approved the site, but subsequently it was unable to give mortgage financing because of its own difficulties selling tax exempt notes and bonds. GBCD and RCCC then decided to pursue financing under the newly authorized Section 11b/Section 8 program. Unfortunately, the proposed development was not ranked high enough by HUD to receive a Section 8 funding allocation. Shortly thereafter, the Cambridge Housing Authority received funds to build new family public housing under the HUD Turnkey program, and requested proposals from developers who wanted to construct this housing. RCCC decided that it should try to become the sponsor of turnkey public housing on the River-Howard site.

During 1979, a series of agreements was negotiated among HUD, Cambridge Housing Authority (CHA), and RCCC for the development of 32 units of family public housing. Under the turnkey program, RCCC will act as the sponsor and will build this housing, while the CHA will buy the properties from RCCC at the conclusion of construction using HUD funding. Construction financing of \$2,008,450 has been obtained from MHFA by GBCD, acting on behalf of RCCC. Harvard University has sold the River-Howard site to RCCC at a nominal fee. This writedown of land costs by Harvard ensured the financial feasibility of the project. Funds which normally would have been used to acquire land can be used to pay for the very high construction costs of three- and four-bedroom townhouses. Project feasibility has also been assisted by the City of Cambridge which gave RCCC a \$20,000 interest-free loan out of Community Development Block Grant funds to help pay for working drawings, soil tests, and site surveys.

While these related agreements were being developed by GBCD and RCCC, detailed design work was done. The design provides sixteen three- and four-bedroom units for large families in town-

houses with direct outside access. Sixteen one- and two-bedroom units for small families or the elderly will be in three story buildings. This mix of apartment sizes reflects RCCC's attempt to balance the neighborhood's critical need for large family units with the desire to create a sound living environment that offers both privacy for adults and play-space for children. Although some local residents were initially concerned about the number of children who will be living on the site, extensive recreation facilities are available next to the River-Howard site in a large, under-utilized park, Hoyt Field, with tot lots, a teen center, baseball diamonds and tennis courts. In addition, the development's design emphasizes privacy, with patios and yards for the individual townhouses, and careful siting so that windows do not look into adjacent units. Crowding is further reduced by having the smaller-size units distributed throughout the site. Construction of this development began in April 1980, and initial occupancy should occur in May 1981.

Back of the Hill Boston Massachusetts

The south side of Boston's Mission Hill—known as Back of the Hill—has always had unbuilt land because of its steep slope. Twenty years ago, the hillside also had a working class neighborhood with triple-deckers and other wood frame houses, but 85 buildings have been torn down since then, during a period of planning for institutional expansion that did not materialize. In 1959, the development of the hill appeared imminent because the Lahey Clinic, an internationally known diagnostic and surgical center, began buying land there for new facilities. The Ruggles Street Baptist Church also chose the area for a new building and began acquiring property. By the early 1970s, however, both organizations decided to move elsewhere. This left 17 acres of vacant land, bordered by only a few dozen scattered homes, with no clear plan for the area's reuse and revitalization.

Faced with this neglected land and no organized public plan for its future, the small group of people still living on the Back of the Hill decided to rebuild their neighborhood themselves. They have established a nonprofit corporation, the Back of the Hill Community Development Association, Inc. (BOTHCDA), to replace the housing that was destroyed. They aim to end their isolation and re-establish a liveable, mixed income, racially integrated community which includes housing for the poor, the handicapped and the elderly. In 1972, BOTHCDA drew up a preliminary redevelopment proposal, in conjunction with the architectural firm of John Sharatt Associates, Inc. It then sought GBCD's help to determine the proposal's feasibility. From their discussions emerged a three-phase plan to build as many as 500 units on 12.5 acres of empty land which the Lahey Clinic had acquired. The first phase of this plan is now a reality. 125 apartments for the elderly and handicapped began construction in September 1979, with \$6.1 million in HUD funding, and will be occupied by

the spring of 1981. This new housing is the culmination of a long struggle whose resolution depended on substantial support from HUD and a set of complex agreements among BOTHCDA, the City of Boston, and the Lahey Clinic.

The Design and Funding of Housing for the Elderly and Handicapped

BOTHCDA's initial three-stage plan sought to restore housing on Back of the Hill for people of all ages, incomes and races. The three phases were: Phase I - 125 apartments for the elderly and handicapped in an elevator building; Phase II - 256 apartments and townhouses for small families, plus community facilities; and Phase III - 119 townhouses for both large and small families. In 1977, GBCD prepared a successful joint application with BOTHCDA to HUD for Section 202 funds to build Phase I, plus Section 8 funds to subsidize the rents so that no tenants will pay more than one-quarter of income for rent. HUD committed mortgage financing for a 125-unit, eleven-story building with recreational, medical and social service facilities. HUD also allocated a \$50,000 interest-free seed money loan, under its Section 106(b) program, for front-end development costs such as preliminary design and site engineering.

Because the handicapped in Boston are acutely in need of apartments that are large enough for their families or live-in help, the new building has many more two-bedroom apartments—twenty in all—than are usually allowed in a HUD 202 development. It also has six three-bedroom apartments, the first large units which HUD has authorized under the Section 202 program. GBCD and BOTHCDA called upon a number of interested elderly and handicapped people to participate in designing Phase I to ensure that the apartments would be carefully adapted to their occupants' special needs. As a result, the building will be fully accessible to the physically handicapped. For example, every doorway is wide enough for a wheelchair so that people living in "wheelchair" units are not restricted from visiting their non-handicapped neighbors. Twenty-three of

the apartments are designed for wheelchair users and another 32 are adapted to the needs of the moderately disabled.

Gaining Site Control

When HUD awarded the funds for Phase I in September 1977, BOTHCDA did not yet own the proposed site for the project. It had been negotiating unsuccessfully with Lahey Clinic for several years about acquisition of the land. The negotiations dealt with the Clinic's entire 12.5 acres on the back of Mission Hill, not just the land needed for Phase I, because the Clinic preferred to sell the land as one piece and because BOTHCDA thought it essential to acquire control of the entire site in order to insure that the area could be rebuilt as a complete community. However, agreement on price had not been reached.

After HUD's commitment ensured that Phase I could be built, a complex mechanism for financing acquisition of the entire site was discussed among BOTHCDA, Lahey Clinic and the Boston Redevelopment Authority. This mechanism would have involved using a CDBG loan guarantee to finance the portion of the total acquisition price that could not be attributed to the first phase of housing. While this mechanism was being discussed, it became clear that there were conflicts between BOTHCDA's housing objectives and the City's goals for the redevelopment of the site. City officials were reluctant to approve the construction of more than one phase of subsidized housing on the Back of the Hill because they thought the surrounding area already had a disproportionate share of subsidized and public housing. As a result of the differences between BOTHCDA and the City, there were several months of negotiations to try to

identify a redevelopment proposal that satisfied them both. Meanwhile, HUD's deadline for beginning construction of Phase I was rapidly approaching.

A Workable Solution

In June 1979, HUD granted an extension of the deadline for building Phase I on the condition that the City BOTHCDA, and Lahey Clinic could reach a workable agreement about the land sale after one more meeting. A compromise solution began to be structured during discussions among BOTHCDA, GBCD, the City, and Lahey Clinic. Lahey indicated a willingness to consider selling the site needed for Phase I separately from the rest of its land if the City promised to support an additional phase of BOTHCDA housing in the future. This would give the Clinic some assurance that it could eventually sell the remaining property. The City agreed to support a second phase of subsidized housing on Back of the Hill provided that BOTHCDA and GBCD first made a serious effort with the City to develop the rest of the site as owner-occupied housing for moderate income families. If after eighteen months no financially feasible homeownership program could be developed, the City would support another phase of subsidized rental housing. BOTHCDA accepted this proposal. Thus, both the community's and the City's interests were accommodated. Two weeks later, the Lahey Clinic agreed to sell the land for Phase I and to give BOTHCDA certain acquisition rights on the remaining land. At last, construction could begin.

GBCD is now working with BOTHCDA to ensure that the new housing for the



Left:
Back of the Hill housing:
Drawing of the building
which is now under con-
struction.

elderly and handicapped is a success. Since GBCD will be managing the building, it has begun planning supportive services, tenant selection and management operations so that handicapped and frail elderly residents will be able to live independently. At the same time, various financing and design options are being evaluated to determine whether it will be possible to build additional housing with public financing that is within reach of moderate income homeowners. Just as repeated efforts were necessary to find a feasible financial scheme for Phase I, GBCD is similarly testing a variety of approaches to homeownership. If the effort is successful, it will create a unique mix of publicly assisted rental and ownership opportunities on the Back of the Hill.



Construction underway in 1980 for Back of the Hill housing for the elderly and handicapped; (New England Baptist Hospital in the background).

Gloucester Development Team Central Grammar Apartments

Gloucester, Massachusetts

"Come Back to School . . . To Live!"

This was the announcement which attracted the first residents to Central Grammar Apartments in 1975. Central Grammar is an 1889 school building that has been adaptively renovated to provide 80 apartments for adults 55 or older. All of the apartments have moderate rents, thanks to below market interest rate mortgage financing from the Massachusetts Housing Finance Agency and interest reduction subsidies from the Massachusetts Department of Community Affairs (DCA). Furthermore, a quarter of the apartments have low rents due to the addition of leasing subsidies from DCA. Adaptive reuse of this old school building allows the housing to offer high ceilings, oak wainscoting, oak strip flooring, wide corridors, exposed interior brick, oversized windows, and generous community rooms.

The conversion efficiently used the existing building's space. For example, by completing unfinished attic and basement areas, the gross building area suitable for apartments was increased from 54,000 to 72,500 square feet. By lowering window sills to create doorways, ground floor apartments were given direct access to private yards. In part of the building, the roof line was cut back to create large private balconies for apartments on the top floor. In other sections of the structure, duplexes were built into the attic space, with living room and kitchen on one floor and bedrooms on the floor above. In fact, no two apartments are alike, a feature which helps make Central Grammar an exciting, non-institutional place to live.

This innovative recycling of Gloucester's former high school, which was the first adaptive reuse project to be financed by MHFA, required the support of many

organizations along with careful financial and physical planning. GBCD provided development, financial and legal services to the sponsor, the Gloucester Development Team, Inc. and its predecessor Action, Inc.

Origins of the Project

The Central Grammar building, near downtown Gloucester, was opened as a high school in 1889. In 1924, an addition doubled its size, and in 1940 it was converted into a grammar school when a new high school was built. In 1971, the school department closed down the building because of inadequate mechanical systems. The building then passed into the hands of the Gloucester City Council, which began to consider alternative reuse proposals. After rejecting the idea of converting it into municipal offices (the building is located directly across from Gloucester City Hall) and after advertising for proposals nationwide in *The New York Times*, the City agreed to sell it to a local non-profit community agency, Action, Inc., to convert it into housing for the elderly. Action then asked GBCD to become development consultant to assist it in organizing and financing its proposed recycling of the school. GBCD met with Action's principal staff members to discuss their housing objectives. Since Action's goal of producing quality subsidized housing was consistent with GBCD's corporate objectives, GBCD examined the site and building. This inspection revealed that the building was structurally sound, had the potential to be successfully converted, and was ideally located for housing for the elderly. GBCD then prepared preliminary development and operating budgets for the embryonic project, and applied for public financing on behalf of Action, Inc. In April 1973, MHFA was asked to consider the site and within a month approved it.

Financial Leveraging

In August 1973 GBCD prepared for Action's submission to MHFA a detailed mortgage application for a proposed \$1.6 million, 73 unit project. This project would be feasible if three conditions were met: (1) market rate rents for one bedroom apartments were \$169 and rents for two bedroom apartments were \$199; (2) MHFA committed Chapter 13A interest reduction subsidies for a \$1.6 million mortgage; and (3) the City of Gloucester agreed to charge Central Grammar Apartments 16% of its collected rents for real estate taxes under a 121A tax agreement. MHFA approved this application and in January 1974 earmarked the necessary state interest subsidies. In March, Gloucester agreed to limit taxes to 16% of rents.

However, these financial arrangements did not last. Due to design changes, revised construction cost estimates and inflation, the proposed renovation costs grew by \$175,000 during the next six months. A new financing scheme would be needed to make the project feasible. First, the design of the building was altered to increase the number of apartments from 73 to 80 in order to reduce the average per unit construction and operating costs. Then GBCD approached both MHFA and the City of Gloucester with new financial alternatives to generate the additional \$175,000 needed for construction. Both responded positively. MHFA agreed, based upon a market study prepared by Action, Inc. and GBCD, to increase the rents to \$185 for one bedroom apartments and \$215 for two bedrooms. MHFA also increased the interest reduction subsidy from \$72,400 to \$95,800 per year. But together, these two changes would support only a \$130,000 increase in rehabilitation costs. Another \$45,000 was needed. Based upon a financial analysis done by GBCD, Gloucester agreed to reduce the real estate taxes from 16% to 14% of the collected rents, or from \$28,800 to \$25,200 per year. This meant an additional 2% of the rents or \$3,600 per year would be available to cover debt service instead of taxes—enough to carry the debt on \$45,000 of additional construc-



Central Grammar Apartments. Photo by Phokion Karas.

tion costs. Based on the City's new tax agreement, MHFA in October 1974 approved the required mortgage increase. Central Grammar could proceed.

As this sequence of events demonstrates, making a project financially feasible is a lengthy process which may involve changes in construction costs, design, interest rates, fees, taxes, and subsidy levels. Much of GBCD's development work goes into balancing the relationship among development variables, so that housing which effectively embodies a sponsor's main objectives can be built. A careful balance is often struck in ownership arrangements that contribute to financial feasibility. Central Grammar Apartments' ownership structure was closely tied to its financing. The initial sponsor, Action, Inc., had no experience on its own with housing development or management. According to MHFA policy, a developer/sponsor needs to have "specific, measurable housing experience, expertise, and adequate staff..." In order to satisfy this requirement, several steps were taken. First, Action organized a nonprofit housing development corporation, Gloucester Development Team,

Inc. (GDT) and GBCD was hired and lent its credibility to the project. Then GBCD helped GDT to establish a limited partnership with an experienced general contractor in order to supplement the sponsor's financial position during construction, to ensure completion of construction, and to earn equity financing for the project.

Management

Gloucester Development Team, Inc. asked GBCD to manage Central Grammar upon its completion. GBCD has managed the building from initial rent-up in late 1975 to the present. It worked with a committee of local residents, including several senior citizens, to select the initial tenants. Among the first tenants were twenty people with very low incomes who could qualify for the state's rental assistance program that limits their rent to 25% of income. Because a number of other tenants had to strain to afford higher rents, the management staff subsequently helped them to obtain Section 8 rental assistance when it became available in Gloucester. While creating affordable rents for these residents, GBCD has also given much attention to marketing other apartments as they became vacant in order to maintain

a diverse group of moderate and low income tenants at Central Grammar Apartments.

Adaptive Reuse

Central Grammar was one of the first old schools converted to housing. GBCD's expectation that this reuse would become a prototype have been realized in the large number of unneeded schools that are now being recycled. GBCD has itself been able to build on the experience of adapting Central Grammar. It has recently given technical assistance to the Town of Weston which has renovated a cluster of three old school buildings into housing for the elderly. In 1979, when the City of Boston announced it would sell an old high school in Jamaica Plain, the Jamaica Plain Neighborhood Development Corporation got help from GBCD in designing a mixed family and elderly housing proposal for the school. Further work on this project awaits the City's decision on how, and for what purposes, to dispose of the building.



Private balcony on the top floor of Central Grammar Apartment. Photo by Phokion Karas.



A duplex apartment, built into the roof line of a former school in Gloucester, now Central Grammar Apartments.

Housing Management and Owner Services

GBCD's management capacity has expanded steadily during the past ten years. In 1970, it was responsible for operating 93 apartments which had been renovated by its predecessor, South End Community Development, Inc. Today, it is managing almost 500 units of community-sponsored housing, and is the designated management agent for an additional 210 units that are under construction. In addition to maintaining this housing in sound physical and financial condition, GBCD tries to foster a supportive social environment for all residents.

The corporation offers a wide range of management services from advising community-based owners of assisted housing on alternative ways to strengthen their own management operations to acting as managing agent with complete day-to-day operating responsibility. Full services can be provided by GBCD in such areas as rent collection, bookkeeping and accounting, bill payment, janitorial work, maintenance, administrative support, marketing, and tenant relations. In addition, short term services are available at the request of a qualified prop-

Housing Managed by Greater Boston Community Development, Inc.

Name	Type	No. of Units
SECD HOUSING TRUST Renovated townhouses in Boston's South End	HUD assisted family housing, Section 8 rental subsidies	83
GBCD HOUSING Renovated townhouses in Boston's South End	HUD assisted family housing, leased housing subsidies through Boston Housing Authority	10
ST. STEPHEN'S TOWER APARTMENTS A new 10 story building in Lynn	MHFA assisted elderly and handicapped housing, Section 236 interest reduction subsidies, with rent supplements and Section 8 rental subsidies	130
CENTRAL GRAMMAR APARTMENTS An adaptive reuse of a former school in Gloucester	MHFA assisted elderly and handicapped housing, Section 13A interest reduction subsidies, with Chapter 707 and Section 8 rental subsidies	80
PROJECT III - WORCESTER STREET ASSOCIATES Renovated townhouses in Boston's South End	MHFA assisted family housing, Section 8 rental subsidies	31
WOODBOURNE HOUSING A cluster of three new buildings in Jamaica Plain, Boston	HUD assisted elderly and handicapped housing, Section 202 direct HUD loan with Section 8 rental subsidies	75
CASA MARIA HOUSING A new building in Boston's North End	HUD assisted elderly and handicapped housing, Section 202 direct HUD loan with Section 8 rental subsidies	85
BACK OF THE HILL HOUSING A new building with both elevator and garden apartments on the south side of Mission Hill in Boston	HUD assisted elderly and handicapped housing, Section 202 direct HUD loan with Section 8 rental subsidies (To be managed by GBCD when completed in 1981)	125
RTH RESTORATION Renovated two- and three-family frame buildings in Boston.	HUD assisted family housing, Section 8 rental subsidies (To be managed by GBCD when completed in 1981)	83
Total Number of Units:		702

erty owner: marketing a new housing development and functioning as interim property manager while training a sponsor's staff to take charge of management are examples. The challenge for all of GBCD's management activities is to help community sponsors maintain a sound living environment within the limits of available operating funds.

Marketing and Rent-Up Services

When a sponsor requests GBCD to act as property manager of a new housing development, the corporation and the sponsor jointly plan for management while development and construction are under way. The first required operating services are marketing and tenant selection. These are critical and complicated processes that must carefully balance neighborhood housing needs, affirmative marketing, and the objectives of the sponsoring organization. For each project, GBCD designs marketing and tenant selection procedures that reach out to people with the greatest housing need. Consideration must also be given to the capacity to meet demands of prospective residents who need extensive supportive services. Affirmative marketing is done in accordance with all state and federal requirements and the goals of the housing sponsor.

In developments designed for people with a range of incomes, such as St. Stephen's Tower Apartments and Central Grammar Apartments, both initial rent-up and later selection of applicants to replace departing tenants have been done carefully to foster economic diversity. At the 125 unit cooperative Lincoln Woods, GBCD as rental agent achieved a three-way mix of market, moderate, and low income families. Because cooperative housing is uncommon in Massachusetts, Lincoln Woods had to be carefully marketed so that prospective residents would understand the rights and obligations of cooperative ownership. Once the housing was occupied, GBCD ran an extensive orientation program for residents, explaining the project's financial structure, maintenance needs, and administrative procedures so that an effective resident Board of Directors could be established.

Staffing and Services

Management means serving people. GBCD tries to design a staff and service pattern for



each housing development that will be able to respond quickly to residents' requests for assistance and to keep buildings in good repair at the least possible cost. One key to cost effective management is the resident superintendent and management assistant who live and work on-site in most of the developments that GBCD operates. The full-time superintendent is responsible for routine maintenance and repairs, while the part-time management assistant runs an on-site office, organizes social services, and handles tenant selection for any vacancies. Several developments in the South End of Boston—SECD Housing, GBCD Housing and Worcester Street—which are too small individually to pay for full-time resident staff, share a management assistant and property superintendent who has several maintenance aides. When occasional demands arise for more extensive janitorial work than a maintenance superintendent can perform, GBCD tries to hire residents on a part-time basis. Administrative operations—rent collection, bookkeeping, the receipt and payment of bills and overall management supervision—are handled from the central GBCD office in downtown Boston. With these staffing patterns, the corporation has been able to deliver effective services within allowed operating budgets.

Since the housing managed by GBCD is controlled by community organizations, the corporation works closely with the sponsors and tenants to plan both routine operations and special services that can enhance the living environment. Every effort is made to respond to residents' requests, when financially feasible, as illustrated by the following examples:

Applicants for apartments in Casa Maria in Boston's North End, with GBCD's Director of Finance & Management on the left.



Residents of St. Stephen's Tower Apartments, Lynn.

- St. Stephen's Tower Apartments had some security problems which concerned the elderly residents. GBCD proposed additional security hardware which could be provided within the project's operating budget, but the tenants also wanted a private security force whose costs were too high to be paid out of this budget. On an interim basis, the on-site management assistant organized a volunteer security force of tenants who supervised the main entrance and lobby areas during the evenings (9 p.m. to 2 a.m.). Meanwhile, GBCD pursued Comprehensive Employment and Training Act (CETA) funding for two security guards. The guards replaced the interim volunteers, and the security problems ended.

- The residents of Central Grammar Apartments wanted better lighting and signs in their parking lot, as well as a landscaped outdoor area for recreation. GBCD prepared plans and specifications for these improvements, obtained cost estimates, identified the funds to pay for them, reviewed the improvement plans with the owner, and supervised their installation. The residents have made extensive use of the new outdoor space.

Social services are also planned for most developments. Often these can make the difference between merely providing shelter and creating a supportive living environment. At St. Stephen's Tower Apartments, for instance, the manager has organized many recreational activities from weekly bingo games to summertime barbecues and picnics. By establishing a close working relationship with Greater Lynn Senior Services, the management staff has also been able to attract a wide range of social services: meals-on-wheels, a visiting nurse health program and homemaker program as well as art, exercise, and dancing classes. Similar services are being provided in the other elderly developments managed by GBCD. An extensive support program is

now being planned for the large number of handicapped people who will soon be living in the new Back of the Hill Housing. The goal is to find homeware, transportation, medical services, and other assistance that will allow handicapped people to live independently.

Maintenance and Improvements

Property maintenance and improvement are essential for sound housing management. In order to ensure that residents' requests for repairs are answered promptly, GBCD has recently instituted a new system for reporting and handling work orders that has markedly decreased the time required to make repairs. Several South End developments have also been upgraded as a result of GBCD's participation in a program called "Nontraditional Occupations for Women" run by the Boston YWCA. Twenty-three women received on-the-job training from GBCD's maintenance staff while helping to eliminate a backlog of deferred maintenance. At the end of the program, the corporation hired two graduates as part of its permanent South End maintenance staff. GBCD also coordinates major property improvements, when necessary. It has, for example, supervised a roof repair program at Central Grammar Apartments, a landscaping and re-lighting program at St. Stephen's Tower Apartments, and overall upgrading at Project III - Worcester Street Associates.

Financial Management

Financial management is another area where GBCD provides a full range of services to property owners. The owners of a typical development receive monthly reports on a cash basis. These reports include a rent reconciliation, a report on disbursements from checking accounts, an analysis of bank accounts reflecting the month's transactions, an arrears list, a vacancies list, an operating

accounts payable list, and an owner accounts payable list. Owners are sent a quarterly accrual statement which is analyzed and compared with the annual operating budget for the development. Through this reporting and analysis, potential cost problems are identified at the earliest possible date so they can be addressed quickly. In addition, GBCD coordinates annual audits of project records by an independent accounting firm, and the filing of financial and tax reports to the local, state and federal governments.

GBCD is also prepared to resolve any financial problems that arise. When rent increases are necessary, the corporation works with owners to limit to whatever extent possible the negative effects on residents. For example, in the mid-1970's the financial stability of the SECD property was threatened because tenants' rent-paying capacity did not keep pace with the inflation of operating expenses, particularly utility costs. Rather than ask tenants on limited incomes to assume these costs, GBCD put some of its resources into the property while obtaining additional operating subsidies through the Section 8 program. When housing in Boston owned by Cooperative Metropolitan Ministries faced similar economic difficulties, GBCD arranged a mortgage increase financed by Section 8 substantial rehabilitation funds. These funds were used to upgrade the buildings. GBCD also restructured the ownership from nonprofit status to a limited dividend partnership in order to generate new equity capital that was used to make the project current in its bills, to establish operating reserves, and to cover the administrative costs of processing the mortgage increase, planning the rehabilitation, and changing ownership.

Owner Services

A number of community housing sponsors have sought GBCD's help in restructuring the finances and reorganizing the management of subsidized housing. In response, GBCD has developed a range of "owner services" which can be provided on a consulting basis to the owners of property which the corporation does not manage. These services include:

- Review and analysis of the operating practices and financial performance of occupied housing, leading to practical recommenda-

tions for improvement. GBCD can evaluate monthly income/expense statements, suggesting procedures that can keep rent collections and operating costs within budget. It can evaluate and, when appropriate, suggest changes in administrative procedures such as subsidy vouchering, bill paying, rental of vacant units, evictions, and recertification of tenants' incomes. This assistance enables community housing sponsors to exercise continuing cost control, to improve their cash flow, and to deal effectively with financial problems.

- Preparation and review of real estate tax payments and assessments, federal income taxes and related financial reporting requirements.
- Coordination of investor relations between general partners and limited partners, and preparation of reports for investors.
- Analysis and reorganization of social service programs.

GBCD's management and development work have strengthened one another. The corporation's familiarity with the day-to-day demands of housing operations has made it sensitive to design and financial considerations that can contribute to ease of maintenance, low operating costs, and a supportive living environment. Its knowledge of development, in turn, enables it to help housing owners evaluate not only the present physical and financial condition of occupied buildings but also to identify how these conditions can be improved to benefit owners and tenants. GBCD will continue to offer a variety of management services in hopes of meeting the need for well run, as well as well built, housing for people with limited incomes.



GBCD's maintenance staff in the South End of Boston.

Alternative Ownership Arrangements

Several different forms of ownership are available to sponsors of assisted housing: nonprofit corporations, limited dividend partnerships, and cooperatives are all possibilities. GBCD helps its clients select the most appropriate form for each housing project based upon an evaluation of the objectives of the sponsor, the financial benefits, the role of residents, and the management implications of each alternative. The corporation then structures the legal and financial arrangements for the selected option, and can train residents, staff and community owners in their responsibilities. GBCD has also helped neighborhood-based groups to alter their ownership status in order to improve the financial position of a project and expand the services offered to its residents. Through these activities, it has created a variety of successful resident- and community-controlled ownership models.

Nonprofit Ownership

When GBCD's predecessor, South End Community Development, began in 1964, most community groups which wanted to build assisted housing organized themselves as nonprofit corporations because this seemed to reflect their commitment not to have individuals make personal profits from the provision of shelter to their neighbors. Their nonprofit status also had a financial rationale because it enabled housing sponsors to qualify for foundation grants and in some instances to get larger mortgages than for-profit developers. HUD and MHFA will give a nonprofit owner a mortgage for 100% of total replacement costs, while a for-profit owner can only get a 90% mortgage.* GBCD has helped a number of community

organizations qualify for nonprofit status by organizing them as charitable corporations under Chapter 180 of the Massachusetts General Laws and assisting them in meeting the requirements for federal income tax exemption in accordance with Section 501 (c) (3) of the Internal Revenue Code. To cite one example: the South End's Tenants Development Corporation (TDC) used GBCD's services to qualify as a nonprofit developer in order to rehabilitate scattered-site row-houses where many of its members lived. The buildings had previously deteriorated so severely that the tenants had organized a lengthy rent strike, and formed a tenants union which led to the property being transferred to the Boston Redevelopment Authority. The residents formed a nonprofit development corporation to buy and renovate 100 units, and secured a 100% mortgage, Section 236 subsidies for all the units, plus rent supplements and leased housing assistance for 60% of the apartments. GBCD then helped TDC organize its own property management company, which now manages 285 TDC-sponsored apartments, called South End Tenants Houses I and II.

Other nonprofit entities have been organized in order for community groups to develop housing under public programs that are restricted to nonprofit sponsors such as the HUD Section 202 program for elderly and handicapped housing. Three Boston-based groups—St. Mary's Housing Corporation in the North End, Woodbourne Association, in Jamaica Plain, and Back of the Hill Community Development Association—have recently developed Section 202 housing with GBCD's assistance. Since none of these groups had previous housing experience, GBCD's participation contributed to the feasibility of their development proposals. GBCD has done the legal, organizational and financial work for their projects and will manage the completed buildings.

1979 dedication of Woodbourne Housing for the elderly and handicapped in Jamaica Plain, with Boston's Mayor Kevin H. White.



*It should be noted that a for-profit owner's 90% mortgage may, in fact, cover most expenses incurred in developing housing, because this mortgage includes a profit for the owner—called the "Builder's and Sponsor's Profit and Risk Allowance"—that is equivalent to 10% of development expenses exclusive of land acquisition. This allowance generally reduces a for-profit owner's cash equity to 1-2%.

Woodbourne Housing in Jamaica Plain during construction. Developed as non-profit housing, the buildings were occupied in 1979 and 1980.



Limited Dividend Partnerships

While nonprofit ownership has the benefits described above, GBCD realized early in its life that some community sponsors could generate more money for housing if they were able to take advantage of the tax subsidy available to for-profit housing owners in addition to the housing subsidies available to all project sponsors. The federal tax code allows for-profit owners of subsidized housing to claim the artificial financial losses created in such projects through the use of accelerated depreciation to offset other income which the owners might have, thereby reducing the amount of income taxes which the owners must pay. Nonprofit groups cannot take direct advantage of this tax subsidy because they have no taxable income to shelter. But a limited partnership arrangement allows a nonprofit sponsor to sell off, or syndicate, the tax shelter benefits to one or more limited partners while retaining management control of a project. Thus, without giving up control of their housing, many GBCD clients have been able to earn substantial amounts by selling tax shelters. Although, as limited dividend owners, they have obtained lower mortgages than nonprofit owners, in all cases the value of their syndication proceeds has been substantially greater than the difference between a nonprofit and limited dividend mortgage.

Altogether, more than \$7,000,000 in equity financing has been earned for GBCD clients through syndication of partnership interests. This money has been used for a variety of purposes: providing amenities for the hous-

ing such as higher quality construction and improved landscaping, establishing operating reserves to insure long-term stability, creating social service programs and community facilities needed by local residents, and reimbursing sponsors for front-end costs which could not be covered from mortgage proceeds. In addition, it should be noted that financing agencies often prefer the limited dividend structure because it establishes a source of funds to meet the costs of change orders and other unanticipated financial requirements.

Inquilinos Boricuas en Accion was the first GBCD client to take advantage of tax shelter equity financing for its property. The corporation provided an array of services to make this possible. It structured the partnership entity, analyzed the syndication value of the housing, arranged for the solicitation of investors, represented IBA in the preparation of an investment proposal, analyzed the tax requirements, and negotiated the terms of IBA's financial returns from the partnership. This work was carefully coordinated with IBA's counsel, Palmer and Dodge. The partnership was designed to ensure that IBA, as managing general partner, would maintain control of the housing under both routine and adverse circumstances. In the event that the housing is sold or refinanced, IBA is in a position to protect the residents' interests.

IBA's initial rehabilitation project was praised in a HUD study as a precedent-setting case of a community sponsor commanding a controlling interest in a HUD-funded limited dividend project. That precedent has often been repeated in GBCD's work. IBA has syndicated additional projects. A number of other GBCD clients are also participating in limited dividend partnerships, including the Gloucester Development Team, St. Stephen's Housing Corporation, Tenants Development Corporation, King's Lynne Residents Council, Union Development Corporation, and Roxbury Tenants of Harvard Association. For almost all of these groups, GBCD has arranged for syndication to be done in a manner that maximizes the financial benefits and minimizes the complications of shared ownership. In the process, the corporation



South End rowhouses and storefront restored and developed by Inquilinos Boricuas en Accion through a limited dividend partnership.

has developed considerable expertise in the intricacies of the syndication process, the relevant tax, securities and accounting principles, and the alternative ways of organizing limited partnerships. A complex set of legal and tax arrangements is required for each for-profit limited partnership in order to structure the effective participation of community sponsors.

Community groups have called upon these skills not only when they are in the process of building housing, but also for help in improving existing projects. In 1977, for example, Lower Roxbury Development Corporation asked GBCD to convert the ownership structure of three housing developments from nonprofit corporations to limited dividend partnerships. LRDC had only a limited amount of time in which to convert project ownership. The first two LRDC developments had already been occupied, but the third was under construction, and the limited dividend partnerships had to be established before the third project was occupied to avoid losing substantial, potential tax benefits. GBCD quickly compiled detailed financial information on the three projects, identified a variety of potential limited partner investor sources, and negotiated detailed investment terms with two of them. After the LRDC Board of Directors selected the most favorable proposal, GBCD negotiated the final terms of the limited partnership agreement and submitted to MHFA (which had financed the projects) a detailed proposal for the ownership conversion of all three LRDC developments. Meanwhile, LRDC's counsel, Hale and Dorr, drew up the legal documents to formally transfer ownership from LRDC to three separate partnerships, one for each project. MHFA approved the transfer, setting a precedent as the first conversion of completed MHFA-financed housing from nonprofit to limited dividend ownership.

Cooperative Ownership

In a housing cooperative, all residents have a voice in decision-making and ownership as shareholders in a corporation which is the formal owner of the housing. Typically, the residents select a board of directors who set the policies for housing operations and finances, while a managing agent is hired to run the cooperative from day to day.

Residents sign an occupancy agreement, similar to a lease, which defines their rights and obligations with respect to their apartments and common space. Upon moving out, they may be obligated to sell their shares back to the cooperative corporation, rather than selling their unit on the open market.

GBCD has gained extensive experience in cooperative housing through its involvement with Lincoln Woods, a 125-unit mixed income cooperative in Lincoln, Massachusetts. This project was sponsored by The Lincoln Foundation, a nonprofit corporation concerned with the provision of housing for people of limited income in Lincoln, and the Rural Land Foundation, a nonprofit group devoted to the preservation of the town environment. When these two groups asked GBCD to become development consultant for assisted housing, they were wary of the political reception which their proposal would receive in Lincoln since no government subsidized housing had ever been built there. A long planning process ensued in order to win the backing of the town government and local residents.

The Lincoln Foundation decided on a cooperative form of ownership in order to give newcomers an economic stake in the town. Working closely with the Lincoln Foundation and its counsel, GBCD organized the cooperative's ownership and financial structure. It obtained necessary zoning approvals from the town and financing from MHFA and arranged the offering of cooperative shares to the residents, who purchase shares in proportion to the square footage value of their units in relation to the value of the whole development. Resident stockholders meet regularly to elect directors and set policy for the operation of the housing.

The cooperative is designed to have maximum resident control, equality among the various income groups, and continuation of its mixed income character. These objectives are achieved, in part, through a complex set of financial controls on the resale of units that will, in the future, make it possible for low and moderate income families to continue to afford to buy into Lincoln Woods. When residents move out, the resale value

of their stock is generally restricted to the amount which they paid as a downpayment plus the actual amount of mortgage amortization attributable to their unit. For example, a family who in 1976 paid about \$300 for 8.5 shares of stock to secure a two-bedroom, duplex townhouse would, if it moved out in 1980, receive about \$800 for these 8.5 shares. This kind of limitation on the resale price avoids prohibitive equity requirements for incoming residents. In order to make it possible for new low income residents to join the cooperative, a \$100,000 loan fund was established to finance their stock purchases. Funds can be borrowed at low interest rates with repayment deferred. The organizational controls on Lincoln Woods also insure that all residents can benefit from future appreciation in the property: any proceeds realized from the future sale or refinancing of Lincoln Woods, beyond any funds needed for its improvement, will be distributed among past and current cooperative residents.



Lincoln Woods: A mixed income cooperative. Photo by Phokion Karas.

Revitalization of Publicly Assisted Housing

Large-scale government intervention in the development, ownership and management of housing began at the end of the 1930's Depression, when the U.S. Congress authorized the expenditure of extensive federal funds for public works projects which included housing. The United States Housing Act of 1937, as amended, authorized the creation of public housing authorities in order to "remedy the unsafe and unsanitary housing conditions and acute shortage of decent, safe and sanitary housing for families with low income." The Commonwealth of Massachusetts followed the federal lead by establishing public housing programs for World War II veterans and their families in 1948 and for elderly persons in 1954.

In 1968, Congress authorized another major program of federal housing assistance through the Section 221 (d) (3) program which provided below market interest rate mortgages to private developers as an incentive for them to build housing for low and moderate income families. Several years later this program was replaced by the Section 236 program which offered mortgage interest reduction subsidies for private sponsors. Both the public housing and these newer subsidized housing programs have been enormously successful at producing buildings. In Boston alone, there are over 14,000 units of family public housing, 3,500 units of elderly public housing, and 13,800 units of subsidized housing.

But despite these impressive production records, much of this housing has not fared so well in the long run. Many developments have deteriorated physically, and a number

of large public housing developments in Massachusetts are so blighted that sections of them are no longer inhabited. The decline of public housing has complex causes: penurious design, underfunded maintenance budgets, escalating utility costs, and poor administration. Much housing developed under the Section 221 (d) (3) and 236 programs is in financial distress. Although generally better designed, this housing has seen operating costs outstrip tenants' ability to pay because incomes have not inflated as rapidly as expenses, pushing developments toward mortgage default and foreclosure. These financial problems became apparent early in the life of many projects in part because the financial structure of subsidized housing gives greater incentives to owners for production than for management.

Despite these problems, public and subsidized housing offer shelter at limited rents to a great number of low and moderate income households. Early in the 1970's, GBCD set itself the task of finding ways to address the financial and operational problems of this housing in order to ensure that its benefits were not lost to families who could not afford private market housing. Since then, it has been continuously involved in efforts to save this housing. Major projects have involved the conversion of a decayed public housing development in Lynn, Massachusetts into the mixed income King's Lynne community, planning alternative ownership and management arrangements for federally subsidized housing in Boston, and participating in the planned revitaliza-

*Left:
The former America Park
public housing in 1974.*

*Right:
America Park - coming
down, 1976.*



tion of Boston's largest public housing development, Columbia Point. These three projects are described below.

America Park/King's Lynne

GBCD's introduction to American Park occurred in the spring of 1972 when Housing Opportunities, Inc., a Lynn-based non-profit corporation, asked GBCD to help identify opportunities for improving living conditions at America Park. America Park, a 408-unit state-aided family public housing development in Lynn, had one of the highest vacancy rates in the state: seventy-seven empty apartments needed major rehabilitation before they could be re-rented, even though America Park was only twenty-two years old. In addition, many buildings suffered from leaky roofs, spalling stucco, rotting door and window frames, faulty mechanical equipment, inadequate trash facilities, and standing water in their basements. America Park also had more than its share of crime and vandalism, and had no nearby health, commercial or recreation facilities. In short, America Park was plagued by the many physical, social and financial problems that can beset poorly built and designed public housing.

In 1972, GBCD began working with the America Park Fact Finding Committee to develop a plan for revitalizing the public housing. The Committee included representatives from the Lynn Housing Authority and local and state public officials in addition to three America Park tenants from the residents' organization, America Park Associates (APA). Out of a series of Com-

mittee meetings emerged the concept of a major redevelopment program for America Park that would phase out the existing buildings while phasing in a new mixed income development. Tenants urged that supporting commercial and community facilities be provided to end America Park's social isolation. Furthermore, tenants insisted that all the existing residents be guaranteed the right to remain at America Park. Working closely with the Committee, GBCD pulled these ideas together in the "America Park Fact Finding Report," and in September 1972 was hired by the Lynn Housing Authority, with the consent of the America Park tenants and through their modernization funds, to do detailed redevelopment planning.

A number of substantial legal and financial hurdles stood between the blighted America Park and construction of a new mixed income community:

- If America Park's buildings were to be phased out, a method would have to be found to pay back the approximately \$5,000,000 principal balance remaining from the original state funding of these buildings in 1950.
- If America Park were to change from public housing to a mixed income development, new methods of paying for its redevelopment and operating costs would have to be identified. New ownership structures would have to be established since public housing authorities cannot own mixed income housing.
- If America Park's residents were guaranteed the right to housing on the site, with no in-



New townhouses in King's Lynn which replaced America Park, 1977-79. Photo by Phokion Karas.

crease in their rents, new subsidies would have to be found, and a relocation program would have to be carefully planned and funded.

In addition, numerous design issues existed: what type of unit mix was required to meet the needs of the existing America Park residents; how could demolition be phased so that new construction would not be slowed down? Social issues also had to be addressed: could the community be harmonious if tenants paying limited rents lived side by side with tenants paying market rents of double or triple the amount; what kinds of social services would be needed by present and future residents?

Significant progress toward overcoming the legal and financial hurdles was made in 1973 when Chapter 884 of Massachusetts was authorized. The Chapter Acts and Resolves 884 legislation, which evolved out of the planning efforts at America Park, amended the state public housing laws to provide a mechanism for the sale of blighted state-aided public housing to a private developer for subsequent redevelopment into mixed income MHFA housing. This legislation safeguards the interests of tenants living in such housing and authorizes funds to retire the outstanding principal balance for severely deteriorated projects and to pay for certain other redevelopment costs.

In August 1974 the development firm of Corcoran, Mullins, Jennison, Inc. (CMJ) was jointly selected by America Park Associates, Department of Community Affairs, Lynn Housing Authority, and Massachusetts Housing Finance Agency to rebuild America Park in partnership with America Park Associates. APA was made co-developer with an equal voice in the development and management of the new housing and a share in its ownership. APA worked closely with CMJ during the next two years to create a new mixed income community which became known as King's Lynne. APA is now known as King's Lynne Residents Council, Inc.)

The biggest battle for King's Lynne began just days after the selection of CMJ. The Lynn City Council ordered the project site rezoned from "Apartment House Use" to "Light Industry Use". Opponents—including the local Chamber of Commerce and nearby home-

owners—feared that King's Lynne would bring more low income families into Lynn and perpetuate the problems of America Park. This zoning stalemate dragged on for over a year. In the end, after the election of a new mayor, the City backed down, but only after APA and CMJ agreed to reduce the size of King's Lynne from 654 to 441 apartments and to eliminate five-bedroom, six-bedroom, and seven-bedroom units.

In 1976, after the zoning dispute was settled, the development process gained momentum. APA and CMJ updated their partnership agreement in a formal Memorandum of Understanding. MHFA and DCA signed a separate Memorandum of Understanding which spelled out how the sale of America Park, its interim management, and resident relocation would be handled. The construction budgets, which CMJ had prepared in 1974, were updated; and MHFA issued a \$19,100,000 mortgage funding commitment. Subsequently, a series of contracts among DCA, MHFA, and Lynn Housing Authority formally authorized the conversion of America Park into King's Lynne. GBCD was active throughout this period providing technical assistance to APA, DCA, and Lynn Housing Authority, particularly in relation to the preparation and approval of the Chapter 884 budget.

Construction of the first phase of King's Lynne began in October 1976, and the first 214 new units became available in 1977. The excitement of the new housing was tempered for some existing America Park residents by the knowledge that about 100 families from America Park would not be moving into King's Lynne. Some were victims of the lengthy development process: they felt they could not wait for conditions to improve. Others had to move off site temporarily while King's Lynne was being built and found private housing which they preferred. Twenty-four took advantage of relocation funds to buy their own homes. A few tenants left because they did not want to comply with new rules, particularly one prohibiting pets, a rule which APA itself supported and felt was critical to the successful management of King's Lynne.

By June 1979, 129 former America Park residents and 312 new families had moved into the completed King's Lynne. A new community center was in operation, with a teen center, an adult lounge, offices for the Resi-

dents Council, and a social service program. Outside the center, new basketball and tennis courts and a swimming pool offered recreation opportunities that had been a dream seven years earlier.

The social service program inaugurated with Chapter 884 funding in October 1976, simultaneous with the start of construction, was initially a support program to aid residents in the transition from old to new housing, to assist them in finding employment and in overcoming school problems and family stress. Today it offers recreation programs for children and teenagers, tutoring, job counselling and placement, and referrals to health centers. The Residents Council also sponsors a variety of special events.

King's Lynne Residents Council, Inc. (KLRC) continues to play a substantial role as co-general partner in King's Lynne. Along with CMJ, it sets management policy, while CMJ, through its property management subsidiary, provides staff to deliver day-to-day management and maintenance services. GBCD has continued to assist the Residents' Council in its capacity as co-owner, by, for example, training KLRC in methods of preparing and reviewing operating budgets.

Columbia Point

In August of 1978, the elected tenants organization at the Columbia Point public housing development in Boston asked GBCD for help in planning the revitalization of their community. At that time major changes for both the public housing and the surrounding peninsula were imminent. HUD had just earmarked \$10 million in Urban Initiatives funds for renovation of the public housing to augment \$8 million which had been spent to rehabilitate one section of the development and to upgrade its mechanical and electrical systems. The new HUD monies were essential to offset widespread abandonment and deterioration in Columbia Point's 1,504 apartments and to combat pervasive security problems. However, the money could not be spent until a comprehensive program for its use was prepared, and no such program existed. The Columbia Point Community Task Force, Inc. wanted to make sure that public housing tenants would have a major voice in planning and implementing an effective program. During the

*Above:
Columbia Point public
housing in Boston: Current
conditions.*

*Below:
Columbia Point public
housing: Proposed re-
development, reducing the
height of existing buildings.*





Model of proposed redevelopment scheme for the Columbia Point peninsula.

previous decade, a number of organizations—including the University of Massachusetts, the City of Boston, and a group from Harvard University—had prepared plans for the future of the Columbia Point peninsula without seriously involving the people living there. The Task Force did not want this to happen again. It also wanted to insure that redevelopment did not cause the displacement or segregation of public housing residents. In order to help realize these goals, GBCD has made a substantial commitment of technical assistance to the Columbia Point Community Task Force, Inc.

The first major step toward a comprehensive redevelopment program was a three-party agreement among the Task Force, the Boston Housing Authority (BHA), and the Boston Redevelopment Authority (BRA), signed on February 21, 1979. This agreement contains guidelines for both the contents and the process of preparing a revitalization plan. It gives all three organizations a voice in planning the future of the peninsula and authorizes the Task Force to participate as a partner in any development entity which works there. It guarantees the right of public housing residents to remain on the peninsula and seeks to create an expanded, mixed income community. The agreement also states that the three parties will seek to involve a private development firm in detailed planning and implementation of new and rehabilitated housing. It seemed feasible to attract private investment because Columbia Point is beautifully sited on the edge of Dorchester

Bay. Moreover, a number of large private institutions have invested heavily in new facilities on the peninsula in the last several years. The First National Bank of Boston's computer center, the University of Massachusetts Harbor Campus, and the new John F. Kennedy Memorial Library have all been built recently, and a new state archives building is now being designed for the area.

Since the three-party agreement was written, GBCD has helped the Task Force to conceptualize, based on a survey of residents' needs, more detailed proposals for renovation and new construction at Columbia Point. The corporation has also assisted the Task Force in reaching a funding agreement with BHA to cover its planning and operating expenses. Currently, GBCD is helping the Task Force to prepare with BHA and BRA a developer selection kit that will contain guidelines for the reuse of existing buildings and the design of new housing and public space improvements. In addition, the developer's kit will explain the roles of BHA, BRA and the Task Force in selecting and working with a developer, so that all three organizations will have a stake in the future life of Columbia Point. After this developer selection kit is issued, GBCD looks forward to providing technical assistance to the Task Force throughout the subsequent reconstruction period. GBCD shares with the Task Force a concern that Columbia Point continue to offer a sizeable stock of assisted housing for low income families. Due to the peninsula's attractive waterfront location, proximity to downtown Boston, and its new institutional facilities, the value of this land is rising. There will be increasing pressure for private market development throughout the peninsula. A well organized and informed effort is needed to ensure that decent, affordable housing is available for lower income families on the revitalized Columbia Point.

Federally Subsidized Housing

Much of the housing built in Boston under HUD's Section 221 (d) (3) and Section 236 programs is in severe financial difficulty, consistent with national trends which found more than half of 2,600 subsidized projects nationwide in financial trouble by 1977. In 1973, GBCD began trying to find ways to

stabilize subsidized housing in Boston. Since financial problems were pervasive, a major objective was to identify who might own and operate developments when the current owners either sold the property or were foreclosed upon by HUD.

The first step in this work was an in-depth analysis of alternative forms of community ownership and new management approaches. GBCD documented the regulatory, legislative, financial, and organizational changes that would be needed to support various alternatives. Then it began a long series of meetings with HUD, private owners, and tenant representatives to explore the possibility of establishing community ownership in specific developments which were headed toward foreclosure.

Concrete results of this activity were slow in coming. For several years, starting in 1973, HUD nationally not only had a moratorium on the construction of new subsidized housing; it also did not have a clear program for resolving problems in existing projects. Private owners looked to HUD for loan modifications, additional subsidies, and rent increases in order to protect their equity investments. Meanwhile, residents were facing large rent increases, construction defects, and growing maintenance problems.

In this atmosphere, GBCD adopted two parallel efforts. One focused on specific properties, the other on systematic changes in HUD's handling of subsidized housing. The former approach was undertaken in conjunction with Community Training Dynamics (CTD), a black construction training and related services organization. Together, CTD and GBCD developed a management proposal for distressed properties that sought to train tenants to take over management and maintenance work while a sound financial and legal plan for resident ownership was established. CTD and GBCD proposed to rehabilitate and reorganize for resident ownership 226 units of HUD-owned property within a four square block area of the Washington Park section of Roxbury. This CTD/GBCD proposal won strong endorsement from the HUD Area and Regional Offices in Boston. However, when it was submitted to the HUD Washington Office, it was turned down. HUD was not yet prepared to commit subsidy funds to in-

novative programs that did not follow its traditional disposition procedures.

While planning such project-specific solutions, GBCD was simultaneously seeking ways to improve HUD's handling of subsidized housing nationwide. This effort became urgent in 1976, when HUD sold several foreclosed developments in Boston to private owners with no continuing federal subsidies or regulation, seriously jeopardizing the status of low and moderate income tenants. GBCD joined forces with a coalition of concerned local groups to secure a moratorium on further foreclosures and sales of HUD projects in Boston. Subsequently, the HUD Boston Area Office issued a report on Boston's distressed inventory. In April 1977, GBCD testified before the Senate Banking, Housing and Urban Affairs Committee at a special hearing highlighting conditions in Boston. These public airings of Boston's problems made it clear that sales of subsidized housing produced only minimal returns to the HUD insurance fund, while depriving low and moderate income families of decent housing with limited rents. With this growing public understanding, GBCD assisted Senator Edward Brooke's staff, at its request, in writing provisions of the 1978 Housing Act which facilitated financial and ownership work-outs of subsidized housing. At the request of HUD staff, the corporation also aided in redrafting complementary HUD regulations on the disposition of this housing.

With these changes in federal rules and law, HUD was finally prepared to try alternative forms of ownership and management. In the summer of 1978, HUD launched a demonstration program in Boston to test tenant involvement in management, planning, and ownership of six distressed properties. Key characteristics of the program are HUD commitments to provide subsidy funds and to negotiate sales terms with community groups. GBCD is proud that its analyses, persistence, and work with CTD played a crucial role in the creation of this program. While most of the corporation's work focuses on site-specific housing projects, it will continue to play a similar role in shaping public policy whenever this appears consistent with its own charitable purposes and can help improve living conditions for low and moderate income families.

Seed Money Loans

Early in its life, GBCD recognized that many community groups interested in sponsoring housing would be stymied unless they could find funds to pay for specialized front-end development activities. These activities might include detailed architectural design, test borings, soils analyses, legal work, cost estimating, property surveys, and mortgage application and commitment fees. In 1972, GBCD was able to establish a fund to supply seed money to community sponsors, thanks to the generosity of Charlesbank Homes, a Boston charitable corporation established to help provide housing for "working people and people of small means". Charlesbank Homes' Board of Trustees made a \$175,000 line of credit available to GBCD as a seed money fund for developments on which GBCD is a consultant. The fund was designed as a revolving loan pool that can underwrite development expenses incurred prior to the availability of mortgage or equity financing. By 1974, loans worth \$190,000 had been made to five community housing sponsors.

In 1974, Charlesbank Homes transferred the value of the then outstanding loans, \$146,500, to GBCD which established the Greater Boston Community Development Charitable Trust to administer future seed money loans. GBCD has the beneficial interest in this Trust. The Trust has advanced loans of almost \$280,000 to eight organizations, including Woodbourne Community Housing Corporation, St. Mary's Housing Corporation, Lower Roxbury Development Corporation, Inquilinos Boricuas en Accion, Back of the Hill Community Development Association, and Roxbury Tenants of Harvard. Thus, since 1972, seed money loans totaling \$470,000 have been generated for community groups. All the loans which have become due to-date have been repaid, ensuring maximum turnover and re-use of the fund. With present assets of approximately \$190,000, the Trust is a unique source of flexible front-end financing for the development projects that GBCD advises.

Special Activities

GBCD undertakes a variety of special activities and short-term projects to help resolve housing problems facing lower income people and communities. This work does not fall neatly into development, management or ownership services, but it enables the corporation to further carry out its charitable purposes. For example, short-term assistance is frequently given to community groups and public agencies which want to explore how they can play an active role in upgrading housing. This help may vary from carrying out short-term feasibility studies, to documenting and analyzing specific housing problems, to consulting on development proposals that are not funded. Examples of this work include:

The Trustees of the Elizabeth Carleton House (ECH) in Boston retained GBCD on a short-term basis in 1978 to prepare a reuse feasibility study for three buildings which it owns on Columbus Avenue, near Egleston Square in Roxbury. These buildings have residential care facilities for the frail elderly. ECH was planning a new facility in Bedford, Massachusetts and wanted to see its present buildings adapted for an appropriate purpose. GBCD, in conjunction with the architectural firm Glaser, DeCastro, Vitols, evaluated the financial and physical condition of ECH's buildings and concluded that they could be reused as housing, possibly as congregate units, and that townhouses for families could be built on an adjacent vacant site. Further development

work on these buildings awaits a resolution of ECH's plans for a new facility.

In 1978, GBCD worked with the Chinese Economic Development Council (CEDC) in Boston to identify locations and financing mechanisms for housing affordable by Chinatown residents. Chinatown has one of the most severe housing shortages of any Boston neighborhood: in the last twenty years, 1,200 units have been lost to various public projects and expanding institutions such as Tufts New England Medical Center. GBCD identified a variety of housing alternatives, including possible conversion of commercial buildings, and developed some design proposals for CEDC, which is continuing to explore these options.

Arson for profit is a major problem in some urban communities. Sometimes building owners torch their own property in order to collect on the insurance, destroying valuable housing resources. In 1977, a VISTA volunteer working at GBCD investigated widespread incidents of arson in the Fenway neighborhood of Boston where there had been twenty fires on two streets in the previous three years, forcing 500 people to find new homes. Patterns of ownership and insurance purchase for the burned buildings were documented in conjunction with a neighborhood organization, the Symphony Tenants Organizing Project (STOP). This work had a gratifying conclusion when the rash of Fenway fires ended and 33 men were

A meeting of the West End Community Housing Corporation.



arrested and tried for arson and related crimes.

GBCD represented West End Community Housing Corporation in its negotiations with the developer of Blackstone Apartments, a 145-unit MHFA-financed elderly development recently completed by State Street Development Corporation in Boston's West End. The project was intended to provide a modest amount of affordable housing to replace buildings destroyed in the late 1950s when urban renewal swept through the West End. West End Community Housing Corporation (WECHC), representing tenants displaced by urban renewal, had GBCD's help in negotiating an agreement with State Street Development and MHFA that established procedures for significant community input into the construction and operation of Blackstone Apartments. For example, WECHC was able to review and approve the design, unit mix, community facilities plan, initial operating budget, rent schedule, and management plan for the building. WECHC and GBCD worked closely with the developer, Boston Redevelopment Authority, and MHFA to design a tenant selection process which would recognize tenants who had been displaced from the West End many years ago. After Blackstone Apartments were occupied, elected resident representatives replaced the community corporation in monitoring the agreement.

The Planning and Development Department of Cambridge hired GBCD to evaluate the development potential of two riverfront sites in Cambridge. In addition to documenting the financial feasibility of building low and moderate income housing, GBCD evaluated how community groups could become the sponsors for such housing.

HUD retained GBCD to prepare a detailed assessment of several models of community and resident development of subsidized housing. The resulting report described how nonprofit community organizations could be encouraged to develop housing, how they could supply effective counselling in a housing allowance system, how nonprofit and limited dividend housing sponsors could be given more equitable financing incentives, and how limited dividend developments might be converted to nonprofit or cooperative ownership.

GBCD has been supported throughout its life by a combination of fees from the projects on which it provides services and grants from charitable foundations. Different combinations of funding have sustained two major groups of GBCD services, one group being management and owner services and the second group being development, ownership structuring, and revitalization of publicly assisted housing.

Management and Owner Services

GBCD's management and owner services are provided on the basis of fees for services. When the corporation acts as property manager, it negotiates with the owner a contract that describes the range of management services to be routinely provided and establishes a fee structure, usually based upon a percentage of collected rents as approved in financial agreements with HUD or MHFA. Marketing and rent-up services for new housing projects are billed as they occur. These costs may be reimbursed out of rents or, more typically, out of funds set aside for these activities in a development budget, including interim income and supplemental management fees. Charges for other services to property that GBCD does not manage, such as financial analyses, are negotiated individually with housing owners. To date, GBCD's management and owner services have paid for themselves, and the corporation anticipates that this work will continue to be generally self-sustaining.

Development, Financial and Conversion Services

Financing of GBCD's development and related services is complex, depending on both fees and grants. GBCD seeks reimbursement for its staff and overhead costs when developments are built. It negotiates fees for this work with the sponsor of each housing project. When appropriate, it helps nonprofit community clients to identify possible sources of seed money to cover the corporation's fees as well as other front-end costs such as design work. However, community-based sponsors often cannot afford to pay GBCD's fees in full until they begin to receive mortgage or equity funds. As a result, there is sometimes a lag of several years between the time that GBCD begins to work on a new development project and the time that it is paid. This delayed fee reim-

bursement structure creates a front-end financing gap for the corporation which it periodically has been able to cover with grants from charitable foundations. Thanks to foundation support, GBCD has been able when essential to give development services on a contingent basis with its fees deferred until (and unless) housing is built. The corporation's initial development work when it was founded in 1970 was supported by both national and Boston area foundations. Major grants for development work have come from the Ford Foundation, Blanchard Foundation, Cabot Family Charitable Trust, Committee of the Permanent Charity Fund, Godfrey H. Hyams Trust, and Lawrence Model Lodging House Trust.

GBCD depends on fees to cover certain services related to development such as arranging mortgage modifications and converting nonprofit housing organizations to limited dividend partnerships. Housing owners are billed for services such as these which generate new income for their property. Both owners and public agencies are also charged for feasibility evaluations. For example, a community development corporation recently hired GBCD to evaluate the feasibility of converting commercial buildings into housing and paid for this study with a Community Development Block Grant which it had received to study housing problems in its neighborhood. In a few cases, when GBCD and a client have not been able to identify such independent sources of funding for the corporation's work and when a proposed project has been consistent with the corporation's charitable purposes, GBCD has been able to obtain foundation support for special projects.

Foundation support has allowed GBCD to undertake special projects that are designed to address specific housing problems but that cannot be immediately self-sustaining. For instance, the Ford Foundation and the Committee of the Permanent Charity Fund along with several other foundations supported the corporation's intensive investigation of possible ways to convert federally subsidized housing to community ownership and management. Charitable funding has also allowed GBCD to assess objectively whether potential projects can satisfy the housing needs of specific communities. Con-

sistent with its charitable purposes, the corporation has not taken on projects simply in order to generate cash flow. Thus, the combination of foundation support and fees for services has enabled GBCD to achieve its original objectives: to ensure that affordable housing is available throughout the Boston metropolitan area, and that the maximum possible amount of this housing is controlled by community-based organizations committed to serving the needs of people with limited incomes.

A Look at the 1980's

GBCD is proud of the many services it has provided to community-based organizations and lower income people with housing needs in the Boston metropolitan area. The corporation looks forward to expanding its development and management services to enable a growing number of groups to control the housing resources in their neighborhoods.

Looking ahead, the 1980's offer both clear challenges and unanswered questions. A number of complex development projects that are already being planned will continue to require significant amounts of time for the next several years. These projects include those sponsored by Back of the Hill Community Development Association, Inc., Roxbury Tenants of Harvard Association, Inc., Lower Roxbury Development Corporation, Inquilinos Boricuas en Accion, and the Columbia Point Community Task Force, Inc. Several of these projects will require GBCD to establish new ownership and financing structures which may become useful precedents for other community groups. Two of the sponsors—BOTHCD and RTH—have challenged GBCD to identify financing options for subsequent housing phases that will permit moderate income families to afford to purchase well designed housing. In conjunction with both IBA and BOTHCD, GBCD will be investigating whether the construction of commercial facilities can be linked to new housing to provide opportunities for neighborhood employment and economic development.

The revitalization of Columbia Point will encompass the redevelopment of commercial facilities in a scaled-down Bayside Mall adjacent to the existing public housing and in small-scale convenience stores scattered throughout the peninsula, as well as a complex mix of public housing, other assisted housing and privately financed, market rate housing.

In addition to projects which can now be identified, GBCD continually receives requests for its consulting services on new development proposals. The corporation will respond to these new requests insofar as resources permit.

There is, however, some uncertainty about the future of the government subsidy programs which have been utilized in the past by

GBCD and its clients. The long-term costs of Section 8 housing are unsettling to many legislators, and the well publicized decline of some public housing developments has prompted critics to question the merits of government intervention in housing production. Moreover, rising protests from taxpayer groups about the level of public spending are causing many officials to approach new government financing for housing with caution. These political pressures may tend to discourage public assistance to housing in the decade ahead. The development and management of good quality, affordable housing is also threatened by the recent dramatic inflation in construction costs, interest rates, and fuel costs. Housing development is always a complex process. But given current economic conditions, the process is likely to become even more complex as it becomes increasingly difficult to plan financially feasible projects with shrinking public resources.

These political and economic trends have created a more restricted climate for development than that faced by GBCD ten years ago. Yet the need for assisted housing is, if anything, even greater. The cost of inflation which is discouraging housing production is also making it harder for families to afford private housing. In many Boston-area neighborhoods, and in adjacent communities such as Cambridge and Brookline, moderately priced rental housing is being lost to condominium conversions and in some cases to luxury development. Many low and moderate income families are facing increasing competition for the declining stock of affordable private housing. The so-called "Back to the City" movement is attracting wealthier people who can outbid these families in neighborhoods where they have lived for many years. In the decade ahead, GBCD expects to assist community organizations that want to minimize displacement by developing new affordable housing alternatives. The corporation anticipates that in the 1980's, as in the past, this will require innovative financing mechanisms. GBCD intends to explore not only new forms of government assisted financing but also investment opportunities which might be created for banks and other private institutions in conjunction with the Community Reinvestment Act. The corporation will continue to create housing oppor-

tunities that may not provide an acceptable risk-to-reward ratio for private developers, such as large units for families with children. GBCD also hopes to continue its involvement with suburban projects that can both create diversity within these communities and give a choice of housing location to people with limited incomes. There will, of course, continue to be a focus on housing in urban neighborhoods where most of the households still needing decent, low cost housing reside.

Other objectives of the corporation in the decade ahead include working with community-based organizations:

- To preserve and upgrade the existing stock of subsidized and public housing. Related programs will draw upon the corporation's development and management skills, and require careful planning processes that increase resident involvement.
- To turn the impact of urban renewal programs and development programs of expanding private institutions such as universities and medical facilities to the benefit of a neighborhood's residents.
- To enable minority and racially mixed community organizations to create better housing conditions, demonstrating the strength of diverse neighborhoods.
- To modify federal housing programs better to meet the needs of handicapped people.
- To rehabilitate reuseable housing structures, and adaptively reuse non-residential buildings for assisted housing.

In the area of housing management, the next few years will be a period of expansion in response to growing requests for the corporation's services as a managing agent. A wide range of related services will be offered to organizations which develop housing with GBCD's assistance and to projects that offer special opportunities to demonstrate how housing can best serve its residents' needs. The management staff will continue helping community-based housing owners to improve their operations through such changes as more responsive maintenance systems, more sensitive tenant selection and social service programs, and more accurate financial control systems.

Assisted housing which is built during the coming decade will provide affordable shelter into the twenty-first century. Although this housing is often expensive to build, it will prove to be a cost effective resource as inflation continues to escalate prices on the private market. GBCD's clear commitment is to make it possible for assisted housing to be well built and well run, and to enable this housing to be controlled by the communities which need it.

Major Participants in GBCD Development Projects

Architects and Planners

Anderson Notter Finegold, Inc.
Carr, Lynch Associates
Day and Ertman, Architects
Brett Donham & Tadhg Sweeney, Architects
Glaser/deCastro Associates
Claude Miquelle Associates, Inc.
Mintz Associates Architects/Planners, Inc.
Sert, Jackson and Associates, Inc.
John Sharratt Associates, Inc.
Stull Associates, Inc.
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Gilman, McLaughlin & Hanrahan
Goodwin, Proctor & Hoar
Hale and Dorr
Hill & Barlow
Hutchins & Wheeler
Massachusetts Law Reform Institute
Palmer and Dodge
Rackemann, Sawyer & Brewster
Ropes and Gray
Sandler, Sandler and Laramie
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Thomas Simmons, Esq.

Certified Public Accountants

Arthur Andersen & Co.
Joseph B. Cohan & Associates
Coopers & Lybrand
Laventhol & Horwath
Siegrist & Hargraves
Touche Ross & Co.
Saul L. Ziner & Co.

Financial Institutions

Federal National Mortgage Association
First National Bank of Boston
Freedom Federal Savings & Loan Association
Massachusetts Housing Finance Agency
State Street Bank and Trust Company
Unity Bank & Trust Company
U.S. Department of Housing and Urban Development

General Contractors

Barkan Construction Company, Inc.
Joseph E. Bennett Co., Inc.
CBI-Oxford Development Corp.
Clemente Construction Company
Corcoran Construction Company
Dimeo Construction Company
JBL Construction
James O. McFarland, Inc.
Peabody Construction Co., Inc.
Benjamin Polishhook, Inc.
Sydney Construction Company, Inc.
Westgate Construction Corporation

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Louise J. Elving - *Director of Program Development*
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Amy J. Grabel - *Maintenance Assistant-South End*
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Karen L. Janowitz - *Office Manager*
John T. Jones - *Property Superintendent-South End*



GBCD staff.



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 Toni D. Melton - *Assistant to the Book-keeper*
 Nancy E. Phillips - *Design/Development Coordinator*
 Mark Redfern - *Property Superintendent - Casa Maria*
 Mary A. Rieves - *Receptionist*
 Doris A. Rosette - *Director of Management and Finances*
 Gerald O. Sims - *Development Staff Assistant*
 Dorothy G. Tarr - *Management Assistant-Central Grammar*
 Charles Tedesco - *Janitorial Aide - St. Stephen's*
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Alexander Rodriguez
Commissioner, Massachusetts Commission Against Discrimination

Rev. Harold G. Ross
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William J. White
President and Chief Executive Officer, Berg Mortgage Finance Corp., Inc.



A meeting of the GBCD Board of Directors.

